EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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SUDAN
A land gripped by creeping paralysis
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World News

Israel close to agreement on West Bank elections

Israel's coalition government edged closer to agreeing a plan for elections in the occupied Arab territories following a weekend of violence which saw 430,000 Palestinians confined to their homes. Page 18

Panamanian poll
Panamanians voted in controversial elections which have aggravated strained relations with Washington. An uninvited US delegation flew in to observe the presidential poll. Page 2

US missile rethink
Vernon Walters, new US Ambassador to West Germany, said the US was not against the principle of negotiations over short-range nuclear missiles in Europe. Page 2

Lebanese shelling
Christian areas of Lebanon were shelled during a bombardment that killed seven people and wounded 50, in a major blow to an Arab League ceasefire. Page 18

Satellite turn off
Eighty per cent of the British public say they will not install satellite TV dishes. Page 6

Polish pay strike
Up to 20,000 strikers occupied Polish copper mines for the third day over fears the authorities will back out of pay rises agreed with Solidarity.

Amazon meeting
Eight South American presidents meeting in Manaus, Brazil, agreed on a joint effort to curb destruction of the Amazon rainforest. Page 4

Armenian march
More than 70,000 Armenians marched peacefully through the centre of Armenia's capital Yerevan demanding the release of nationalist activists.

French island action
French Prime Minister Michel Rocard pledged his Government's determination to maintain peace in New Caledonia. Page 4

Cult suspect killed
The suspected ringleader of a drug-smuggling voodoo cult responsible for 15 ritualistic murders, Adolfo de Jesus Constanzo, was killed in a Mexico City gun battle.

Tanker collision
A tanker truck and a minibus collided head-on, killing 14 people in south-west Turkey.

Takeshita returns
Japanese Prime Minister Noboru Takeshita, returning to Japan after a five-nation south east Asian tour, is to choose a successor and restore his party's flagging popularity. Page 4

Summit delayed
Leaders of a new Arab economic bloc linking Egypt, Iraq, Jordan and North Yemen have postponed their first summit meeting.

Safe reactors
All Soviet reactors of the type which exploded at Chernobyl three years ago have been made safe, Moscow nuclear inspectors claimed. Page 10

Labour N-policy
Britain's opposition Labour Party was preparing to abandon its commitment to unilateral nuclear disarmament at the end of a two-year policy review. Page 18

Cambodian peace
The prospect of a Cambodian ceasefire being signed in Bangkok before the next round of peace talks in Paris in July has been raised. Page 4

Barge spill
A barge carrying petrol struck a buoy and spilled 80,000 gallons into the Hudson River, New York.

Chinese protest
Student leaders at Peking University said pro-democracy protests would continue for another week.

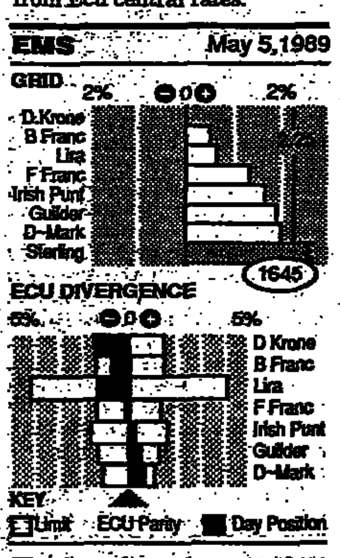
Business Summary

BCFE asked to raise bad debt provision

Banque Française du Commerce Extérieur (BFCE), the state-controlled foreign trade bank, has been asked by the French Banking Commission to increase its bad debt provisions on its foreign loan portfolio of $945m. Page 23

EUROPEAN Monetary System: The strength of the dollar continued to depress the D-Mark last week. Continued central bank intervention failed to prevent the D-Mark falling through key support levels. The weakness of the W German unit means that there is little downward pressure on more vulnerable members of the system such as the Danish krone.

The resignation of the Dutch Government failed to have any effect on the guilder; the latter continued to trade as the second most improved currency from Ecu central rates.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the Lira may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

ANGLO American Properties, South Africa's largest listed property management company, lifted pre-tax profit by almost one-third. Page 23

FIAT, the Italian car maker, has reassumed control of the Lancia car franchise in the UK from the Heron Corporation. Page 19

MEDIA Partners Ltd, the Bermuda-based financing vehicle established to purchase non-newspaper properties from Rupert Murdoch's News Corp, is seeking a $1bn global financing facility. Page 21

HARCOURT Brace Jovanovich, US publishing group, reported a sharply higher first-quarter loss. Page 23

MITSUBISHI Finance International is launching an ambitious over-the-counter options service. Page 21

INI, the Spanish public sector holding consortium, is to increase controlling interest in the aerospace company CASA. Page 23

TRANSMANCHE Link, the Anglo-French contractors building the Channel Tunnel, has appointed Jack Lemley, a leading US engineer, chief executive. Page 20

KLEINWORT Benson, UK merchant bank, had the credit rating on its US commercial paper lowered by Standard & Poor's, the US credit rating agency. Page 23

TRUSTHOUSE Forte, the UK hotel chain, is planning to open 50 new Travelodge budget hotels next year. Page 10

PEERLESS Carpet, Canada's largest carpet manufacturer, is planning to buy the loss-making Galaxy Carpet Mills of the US in a deal worth $120m. Page 23

J.SAINSBURY, the UK supermarket chain, has introduced a minimum productivity level of 20 items per minute for check-out operators using laser scanning tills. Page 6

GEORGE WIMPEY, the construction group and Britain's second largest housebuilder, has disposed of Wimpey-Dubilier, a subsidiary making electrolytic capacitors. Page 29

PIRELLI group, the Italian tyre manufacturer, has reported 1988 net profits of $204m. Page 23

CHARTER Builders Inc, Dallas, the US subsidiary of Mowlem International, has been awarded contracts worth more than $48m. Page 12

Iranian call for terror campaign angers Palestinians

By Andrew Gowers in London and Paul Betts in Paris

EUROPEAN Community countries will this week consider a co-ordinated response to the latest controversy surrounding Iran, amid international outrage over an Iranian leader's proposal last week that Palestinians should kill Westerners in pursuit of their struggle for a homeland.

But the call from Hojatoleslam Ali Akbar Hashemi Rafsanjani, Speaker of Iran's Parliament, for a Palestinian terror campaign has drawn an angry rejoinder from the Palestine Liberation Organisation and a sceptical response even from the more radical Palestinian groups.

The PLO, which is anxious not to jeopardise the political gains it has made since Mr Yassir Arafat, its chairman, formally renounced terrorism last December, yesterday told Mr Rafsanjani to stop interfering in Palestinian affairs.

Other Middle Eastern observers said the Iranian leader's inflammatory rhetoric reflected the intensity of the power struggle now under way in Tehran rather than a new element in Iranian foreign policy.

Ahead of this summer's presidential elections, Mr Rafsanjani is campaigning for a wholesale revision of the constitution, including an extension of the president's powers and the abolition of the premiership. He has evidently calculated that he needs the support of radical factions in order to achieve this.

Mr Rafsanjani, who is also acting armed forces commander and the sole contender in presidential elections due in August, told a prayer meeting in Tehran on Friday that Palestinians should execute five Americans, Britons or Frenchmen for every one of their number killed in Palestine. He also suggested that Palestinians should hijack aircraft and blow up Western factories to press their cause.

His remarks have drawn stiff condemnation from the US, Britain and France. Britain accused Iran of incitement to murder, and indicated that it was taking the potential threat seriously by further tightening security at airports. Washington and Paris said that Tehran would be held responsible for any ensuing acts of violence.

The British Foreign Office has not yet decided its response, but there is little it can do as it has no diplomatic
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Rival premiers seek new truce for Lebanon; Israelis consider West Bank poll plan, Page 18


Rafsanjani: seeking radical support

IMF may begin loan payments to Mexico before pact on debts

By Peter Riddell, US Editor, in Washington

THE INTERNATIONAL Monetary Fund may start paying out some of its $3.6bn loan to Mexico before an agreement is reached between that country and its credit bankers on debt reduction.

Decisions on the pattern of disbursements will be taken by the IMF's executive board at the end of this month or in early June. At the same time the World Bank's board will take final decisions on three adjustment loans for Mexico totalling $1.5bn.

Negotiations between Mexico and its 15-main creditors were adjourned on Friday for a week to allow time for the banks to prepare revised proposals offering less than is being sought – an annual $4bn plus.

Mr William Rhodes of Citicorp, the chairman of the bank advisory committee, said: "We have worked with Mexico for several weeks and we now need time to work among ourselves, while the Mexicans return for consultations. Our common goal is to move forward as rapidly as is reasonably possible."

Mr David Mulford, the US Treasury under-secretary for international affairs, said at the end of last week that he understood the banks considered Mexico's proposals for debt reduction and new financing to be "too aggressive."

There has been concern that any agreement might fall short of the scale of debt reduction being sought by Mexico and originally envisaged by the US.

The US is keen for early decisions and disbursements by the multilateral institutions. Mr Mulford said the IMF had "expressed a willingness to go ahead and bring the Mexican programme to the board and consider, when the time comes for that, the first disbursal under the programme." Similarly, he expected to see some flow of funds from the World Bank in the next six weeks.

The discussions on Mexico have become tied in with the two institutions' consideration of how they will participate in the revised debt strategy launched two months ago by Mr Nicholas Brady, US Treasury Secretary. Detailed decisions on how, and how much, such assistance will be provided will determine the degree of leverage to be applied in reductions of commercial debt and debt service in parallel negotiations with creditor banks.

Another key issue is how far the IMF should disburse funds before agreement on debt reduction is reached between countries and their commercial banks. About a third of the Mexican loan has been made dependent on such an agreement.

Both the debtor countries and the commercial banks have been awaiting the decisions of the IMF and World Bank on what they will do and the balance between reductions in debt and debt service, in particular the nature of interest support.

The IMF executive board began discussions on detailed plans on Friday and the World Bank board will do so this week. This will enable them to hold talks shortly with the banks and debtor countries.

Costa Rica claims backing on "debt for nature" swaps, Page 4

EC investigates energy tax to save rain forests

By Tim Dickson in Caceres, western Spain

A CONTROVERSIAL plan to raise billions of dollars from an "energy tax" is an option being considered in Brussels to help save tropical rain forests from destruction.

The radical idea for a charge on carbon emissions or a "CO levy" is contained in a discussion document likely to be debated by the European Commission later this month and is being promoted enthusiastically by Mr Carlo Ripa di Meana, EC Environment Commissioner.

Carbon emissions from fossil fuel burning have been identified as the biggest factor in the "greenhouse effect," the concentration of gases in the atmosphere which has prompted fears that the earth's temperature will rise by several degrees over the next 50 years.

The burning of forests contributes directly to the release of CO and destroys trees which would otherwise absorb carbon emissions.

Mr Ripa di Meana made clear at a press conference, after an informal meeting of EC environment ministers in Caceres at the weekend, that he sees the tropical forest issue as a high priority.

Experts in Brussels believe that developed countries, including the EC, will have to pay substantial sums if they wish to exert influence over nations such as Brazil. Furthermore, it is the industrialised world which is largely responsible for current increases in CO in the atmosphere.

With leaders of the so-called G7 group of Western nations expected to focus on the problem at their meeting in Paris on July 14, Brussels is thought to be eager to get Commission agreement on a formal position in the next few weeks.

If, as many now think likely, the idea is formally adopted in the EC it is sure to test the new commitment of members to global environmental issues.

The document argues that relatively small "charges" can raise very large revenues. Preliminary estimates by officials in Brussels indicate that a levy of 0.5 US cents per kwh of fossil fuel use would generate $55.6bn a year for the EC (with users in Germany, the UK and France paying a lion's share).

The paper being circulated among senior Brussels officials emphasises the urgency of the situation, pointing out that half of all the world's tropical forests at the beginning of the century have now been destroyed and that at least 20 hectares per minute disappear.

The EC, it says, is directly affected "by the contribution of deforestation to the greenhouse effect, and by the loss of genetic material, which may be critical in solving present and future problems."

The Community is also affected indirectly "by the potential collapse of development efforts locally and regionally, due to environmental disruption, with attendant threats to food supplies and hence political stability."

As the Commission discussion paper points out, protecting tropical forests, which act as a sort of "carbon sink," is in many cases the most cost-effective method of reducing CO emissions.

Ozone-layer conference, Page 4

WHO faces crisis over PLO bid for membership

By William Dullforce in Geneva

THE WORLD Health Organisation faces a crisis as it begins it annual assembly today following the refusal by Mr Yassir Arafat, leader of the Palestine Liberation Organisation, to adopt a compromise over PLO membership of the organisation.

A last-minute appeal in Tunis yesterday from Dr Hiroshi Nakajima, the organisation's director-general, that the PLO defer for a year its application for membership of the United Nations agency, was rejected by Mr Arafat.

The US has warned that it will immediately cut off its funding if the PLO is allowed to join the organisation, which among other key health programmes is responsible for the global campaign against AIDS.

European diplomats fear that the Palestinians' drive for membership will dash Middle East peace hopes that were raised in December when Mr Arafat recognised Israel's right to exist, renounced terrorism and opened the way for talks between the US and the PLO in Tunis.

Mr Thomas Pickering, the US ambassador to the UN, emphasised last week that the membership issue was important "in terms of the Middle East peace process and where it is going."

Dr Nakajima flew to Tunis on Saturday evening with a draft resolution for the World Health Assembly which emerged from his consultations last week with the organisation's member states in Geneva and visits to Washington and Rome, where he met Latin American health ministers.

The draft resolution is understood to have embodied a compromise under which the PLO would postpone its application in return for improved health programmes for Palestinians in the occupied territories.

However, the Palestinian mission to the UN in Geneva said yesterday that Mr Arafat had "remained absolutely firm on the question of membership" for the newly-declared state of Palestine.

"Israel is a member, Palestine is an Arab state and either both should be in or both should be out. If we do not get membership, then we want Israel out," a spokesman said.

In the US view, the PLO cannot claim to be a state because
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Israeli plan for polls, Page 18

UK oil output near 10 year low

By Steven Butler

BRITISH OIL production this month could hit the lowest level in 10 years unless the Brent pipeline system comes into operation earlier than expected.

Monthly average output would slip to 1.5m barrels a day, which is less than British oil consumption, if the Brent system stays out of operation for the whole month, according to calculations by County NatWest WoodMac, the UK broker.

The Brent system was knocked out on April 18 after a gas blast on the Cormorant Alpha platform, which serves as a pumping station for a network of pipelines in the area serving nine other oil platforms.

Shell has said May 26 is the most likely start-up date for the platform, which was handling 472,000 b/d before the blast, although it has warned that this could be delayed according to the progress of repair and certification.

Production at 1.5m b/d would push UK output below that of Norway for the first time since 1976.

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Union wins pay breakthrough as US steel industry recovers

By James Buchan in New York

UNION leaders have approved a landmark four-year wage contract with Bethlehem Steel which makes good the deep cuts in pay taken by the company's workforce during the five-year steel crisis.

The deal is likely to set a pattern for the rest of the industry into the 1990s.

The United Steelworkers of America said on Friday that its local union presidents, meeting in Pittsburgh, approved the plan which restores wage scales to levels last seen when the US steel market collapsed and Bethlehem plunged into loss in 1982. In common with the rest of the industry, the third-largest US steelmaker is in the throes of a strong recovery due to protection from imports, plant modernisation and the shutting down of old capacity.

Mr Lynn Williams, international president of the steelworkers, said the agreement would "be placed on negotiating tables" with three other key steelmakers – Armco, National and Inland – now in talks with the United Steelworkers union. It is also likely to influence talks with the industry leader, US Steel, where the wage contract expires in 1991.

Mr Williams said: "While this is a very good collective bargaining agreement, it must be remembered that our members have made major wage and benefit sacrifices."

The deal, which has still to be approved by the 20,000 steelworkers at the Bethlehem Steel's six plants, restores a wages cut of 8.09 per cent taken in 1986. A 10 per cent cut in wages in 1982 was restored in steps during the mid-1980s.

In addition to making good the 1986 wage cut, the contract provides for wage increases of $1 an hour – or about 4 per cent – in 1990 and 50 cents an hour in 1991; cash payments of $1,000; profit sharing; the restoration of some holidays given up during the crisis and a new training scheme which the company will fund at a rate of $300,000 a month.

The deal was broadly in line with Wall Street's expectations. Mr Walt Williams, chairman of Bethlehem Steel, said: "The settlement recognises that sacrifices were made by USWA members in the past two contracts and also that Bethlehem is a company in transition that must continue to control its costs. The agreement is consistent with projected rates of inflation and permits employees to share in the future profitability of the company."

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Anatolijs Gorbunovs is in some ways the most important man in Latvia. His importance lies in the skill with which he can mediate between nationalists, Communists and fearful Russians living there.
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OVERSEAS NEWS

Peruvian ruling party MP shot dead

By Veronica Baruffati in Lima

A PARLIAMENTARY deputy of Peru's ruling party, the *American Popular Revolutionary* Alliance, was assassinated on Saturday nine days after the killing of a United Left deputy.

Mr Pablo Li Ormeno was getting into his pick-up truck after visiting his pharmacy in Villa El Salvador on the outskirts of Lima when he was shot three times by two people, who then escaped in the vehicle.

The police said it was not yet possible to determine whether the attack was an act of terrorism.

There seems to be consensus among politicians, however, that the crime was political.

President Alan Garcia cut short his trip to Brazil and returned to Peru early yesterday to face the rising wave of political crime.

Mr Louis Alva Castro, secretary-general of APRA and recently elected the party's candidate for the 1990 presidential election, said: "The time has come to join forces in defence of democracy against terror and violence which have affected Peru for so long."

Bolivian poll outcome in doubt

By Robert Graham in La Paz

A CLOSE outcome was predicted yesterday as Bolivians voted for their 77th president and a new Congress. The elections also promised to be the first time since 1964 that a constitutionally elected government had handed over to an elected successor after running its full four-year term.

The three principal presidential candidates – retired General Hugo Banzer of the right-wing Accion Democratica Nacionalista (ADN), Mr Gonzalo Sanchez de Lozada of the ruling Movimiento Nacionalista Revolucionario (MNR), and Mr Jaime Paz Zamora of the left-wing Nueva Mayoria (MIR) – all appeared confident as voting proceeded quietly.

The government of President Victor Paz Estenssoro imposed draconian security measures that included a ban on alcohol sales, closure of airports and a virtual ban on all traffic. This, combined with a heavy military presence, ensured calm.

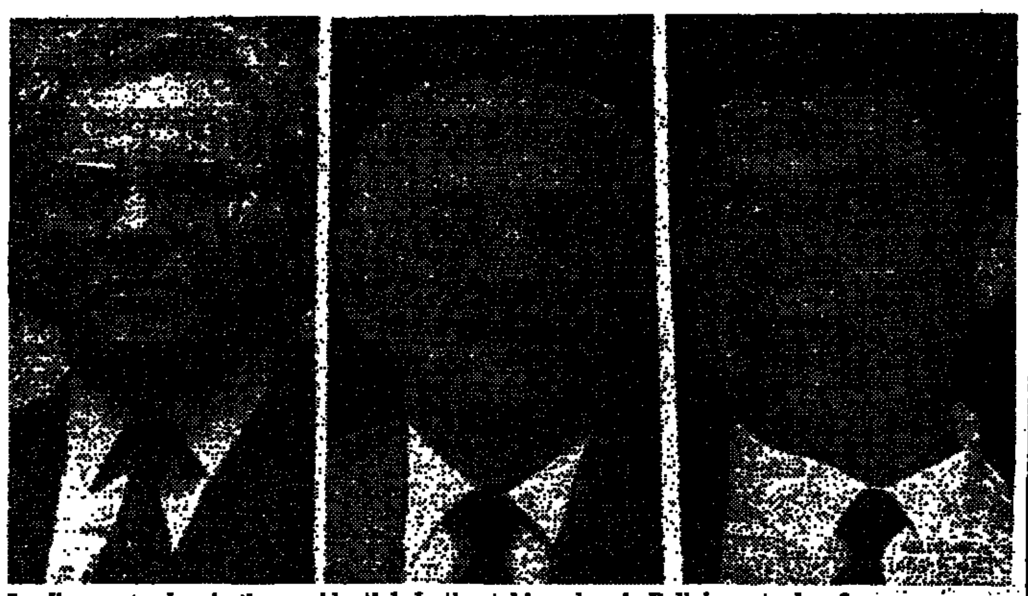
Both 63-year-old Gen Banzer and Mr Paz, 50, were counting on disaffection with the Government's austerity measures. *However, Mr Sanchez de Lozada*, 59-year-old architect of Bolivia's economic stabilisation over the past four years, was hoping success in tackling hyper-inflation and restoring growth would lead to a renewed vote of confidence in the MNR.

Of the nine presidential candidates, apart from the main contenders only Mr Carlos Palenque, a populist radio station owner, was expected to have any impact. His appeal, however, has been limited to La Paz, where he could steal votes from Mr Paz and the MNR.

In the election run-up, Mr Palenque claimed the government was preparing large-scale fraud. But the capital's voting precincts, mostly in schools, appeared well organised.

The capital and surrounding regions account for more than one-third of the 2.1m registered voters. With a population of nearly 7m, Bolivia has proportionately the smallest electorate in Latin America. This is because up to 1m Aymara and Quechua-speaking Indians live in remote areas outside the political process.

Voters were also choosing a new 130-seat *Chamber of Deputies* and a 27-seat Senate. The congressional election could prove significant if none of the presidential candidates secures an absolute majority or a substantial lead. Congress must decide on the next president if no candidate has an absolute majority.



Leading contenders in the presidential election taking place in Bolivia yesterday: from left, Gonzalo Sanchez de Lozada, Gen Hugo Banzer and Jaime Paz Zamora

Voters queue for ballot in Panama

By Tim Coone in Panama City

THERE was a large and enthusiastic turnout as polling stations opened in Panama yesterday for the country's general elections. Twelve parties, 11 of which have formed the two principal opposing alliances, are contesting the presidency as well as the control of the National Legislature and 505 municipalities.

However, many observers consider the elections a virtual plebiscite on the future of General *Manuel Antonio Noriega*, the controversial head of the Panamanian Defence Forces. Gen Noriega has been indicted on charges of drug trafficking by two US grand juries.

Many voters were prepared to queue for two to three hours to cast their ballots.

Numerous irregularities have occurred. The most common complaint was that at many polling stations people who had been registered to vote had not appeared on the appropriate list, or had been moved unexpectedly to another polling station.

A turnout of between 80 and 90 per cent of the 1.2m registered voters was widely expected.

Baker to test Moscow policy on Middle East

By Peter Riddell, US Editor, in Washington and Quentin Peel in Moscow

MR James Baker, the US Secretary of State, will this week seek to engage the Soviet Union in an active commitment to both the Middle East peace process and to international efforts to stop the proliferation of ballistic missiles.

Together with a sizeable State Department team, Mr Baker will hold talks in Moscow on Wednesday and Thursday before reporting back to Nato allies in Brussels on Friday.

A senior State Department official said the overall theme would be "to take an activist approach in trying to test General Secretary Gorbachev and the Soviet Union to explore whether there's content in their new thinking."

The five main agenda topics will be human rights, regional co-operation, arms control, bilateral US-Soviet diplomatic matters, and transnational relations (the environment, including global warming, narcotics and terrorism).

The latter three issues – the so-called "fifth basket" in Soviet-American relations – have only recently been added to the agenda for high-level superpower negotiations.

Their addition acknowledges Soviet concern both to enhance the status of world bodies like the UN and to put global ecological questions higher on the international agenda.

On regional issues, the US is seeking to test the Soviet Union on such areas as Central America, the Middle East, Cambodia, the Horn of Africa and Korea.

In the Middle East, Mr Baker will depart from the previous arms-length view of any Soviet Union involvement. Instead he will suggest that it can be an active player in the region, "not just by making trips and engaging in slogans, but by exercising an influence with Syria to try and alleviate tensions in the area".

The US will also seek Soviet co-operation in building a common information base on the state of missile proliferation. Over time this may be followed by an attempt to engage the Soviet Union in moves towards control of missile proliferation along the lines of the existing agreement in the Group of Seven industrial countries.

In Moscow Mr Baker will also propose a date for the resumption of the strategic arms limitation talks (Start) and for other negotiations such as those on testing. The US side is suggesting a substantial degree of continuity in its position compared with the Reagan administration. But there will be some modifications, especially in relation to mobile missiles, where President George Bush has recently taken decisions on modernisation.

The issue of human rights remains the US top priority, in spite of the improvement in the Soviet political climate.

Mr Baker will question Mr Eduard Shevardnadze, his Soviet counterpart, on progress towards revising the Soviet penal code, and "decriminalising" political acts.

The scepticism of many of the US president's senior advisers about Soviet intentions was underlined again yesterday by Mr Dick Cheney, the Defence Secretary.

Following his expression of doubts a week ago about whether Mr Gorbachev will survive, Mr Cheney said it was "very important not to fall into the trap of making what may turn out to be unwise assumptions that somehow Soviet military capabilities will come to reflect the intentions of one man. I don't think we can base policy on whether or not Gorbachev succeeds or fails.

"There's a real tendency for everybody to assume that because Gorbachev displays peaceful intentions, that somehow reflects what the Soviets are capable of – and that's not true," he argued, stressing Soviet conventional superiority in Europe.

Mr Cheney was also cautious about the possible eventual reunification of Germany. He referred to that as a development "perhaps many years down the road" and as the natural outcome and outgrowth of successful efforts to end the Soviet occupation and oppression of Eastern Europe and of self-determination for the peoples of Germany.

Cheney stresses value of deterrence

By Peter Riddell, US Editor, in Washington, Andrew Fisher in Frankfurt and David Goodhart in Bonn

SHORT-RANGE nuclear weapons should remain a significant element of deterrence for as long as there are US troops in western Europe, Mr Dick Cheney, the US Defence Secretary, insisted yesterday.

At the same time, Mr Hans-Dietrich Genscher, the West German Foreign Minister, said the Cold War was over and called for a joint Western response to the Eastern bloc's political and economic reforms.

Mr Cheney's comments, made in a television interview at the weekend, underline the US opposition to early negotiations with the Soviet Union over short-range missiles which Washington fears will lead to their elimination.

He did not, however, rule out negotiations completely, but said "not now." The key emphasis currently should be on the conventional force talks in Vienna, he argued.

Mr Cheney's *statement* reflects the US view that only when significant progress has been made in reducing the conventional imbalance will it be possible to consider action or talks on short-range weapons.

This long-term prospect could form the basis for compromise wording at the Nato heads of government summit in Brussels in three weeks.

Mr Genscher, *in a speech in* Stuttgart at the opening of an American-German friendship week, warned against making talks on short-range missiles the main issue of the alliance. It would be putting the matter out of all proportion.

Both the US and Britain oppose Bonn's wish for early talks and want Nato to modernise short-range weapons, mostly sited in Germany.

"The Cold War is over, the Iron Curtain is brittle – it is decaying," Mr Genscher said. "This is the historical hour in which we are making policy." Now was the time for a combined Western answer to the question of how to use changes in the east to promote more European stability.

Mr Genscher said outmoded thinking could be more dangerous than outmoded weapons. "The West has won the Cold War by firmness and steadfastness, but also through its readiness to use even the slightest chance for an improvement in East-West relations."

Mr Vernon Walters, the new US Ambassador to West Germany, said in a newspaper interview the US was not against the principle of negotiations over short-range nuclear missiles in Europe but the timing of such negotiations was "decisive" and talks on reducing conventional imbalances should take priority.

● West Germany is considering contributing troops to UN peacekeeping forces, Defence Minister Gerhard Stoltenberg said yesterday, Reuter reports.

Leftist Sri Lankan rebels kill 35

Thirty-five people, including a Buddhist monk, were killed in Sri Lanka at the weekend by left-wing Sinhalese rebels, military sources said yesterday, Reuter reports from Colombo.

They said most of the victims were shot dead and their bodies tied to lamp-posts with a note saying: "This is the treatment for traitors".

At Matale in the central province, five soldiers and a driver were injured when a bus ran over a landmine.

Poles occupy mines

Up to 20,000 strikers occupied four Polish copper mines for the third successive day yesterday over fears that the authorities would back out of pay rises agreed with the Solidarity free trade union, Reuter reports from Warsaw.

Correction Magnus Malan

MR Magnus Malan, the South African Defence Minister, was mistakenly described as a "dissident" in a caption to a picture that appeared in Friday's paper. The picture should have been of Mr Wynand Malan, an opposition leader.

FINANCIAL TIMES

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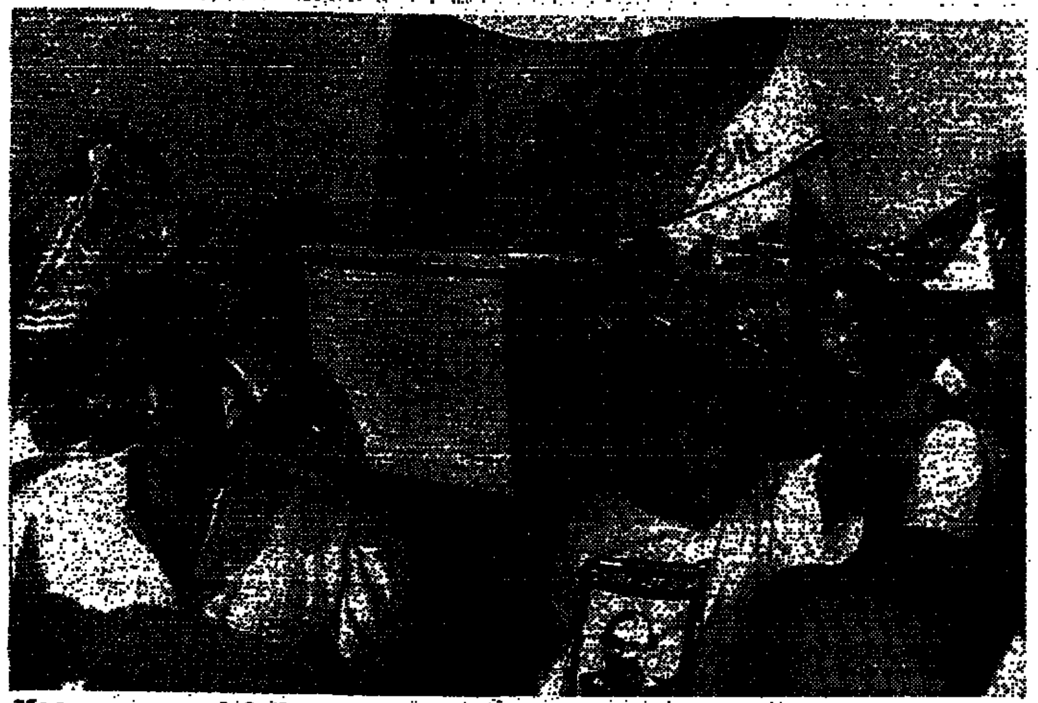
OVERSEAS NEWS



Mourners carry aloft the coffin of anti-apartheid campaigner David Webster

Spotlight falls again on covert activities in South Africa

By Anthony Robinson in Johannesburg

A SPOTLIGHT has fallen again on the covert activities of Pretoria after a week which saw the expulsion of six South Africans from Britain and France for their part in a bungled arms deal involving Northern Irish terrorists and the assassination in Johannesburg of Dr David Webster, a prominent academic opponent of apartheid.

While the attempt to procure British missile technology provoked a diplomatic row and a letter of apology from President P W Botha to Mrs Thatcher the corrosive effect of Pretoria's attempt to secure arms and technology denied it by the 1977 UN arms embargo provoked far less outrage inside South Africa than the murder of Dr Webster.

His death, from a single shotgun blast fired from a moving pickup truck occupied by three white men outside his suburban home on May Day is widely seen as the latest in a long line of unsolved political assassinations and killings by vigilante murder squads, especially in Natal. These have been accompanied by a series of mysterious but highly professional explosions and burglaries at trade union, church and welfare organisation offices.

According to the Five Freedoms Forum, a civil rights organisation, 59 anti-apartheid activists have been assassinated inside South Africa over the past decade and a further 61 have been assasssinated in exile. At least 30 others have simply disappeared or been abducted from neighbouring states. No one, it adds, has ever been charged for any of these crimes.

The list includes many detained prisoners who, at their inquests, were found to have slipped on bars of soap, fallen down stairs or jumped out of windows while in police custody. The most prominent victims of such carelessness in detention include Mr Steve Biko, the black consciousness leader. He died in a Pretoria police cell after an 800-mile ride naked in the back of a police vehicle suffering from the effects of prolonged "interrogation" in Port Elizabeth.

Another was Mr Neil Aggett, a white academic adviser to the fledgling black trade union movement who was found hanged in his cell in 1981.

Dr Webster was a mild-mannered lecturer in social anthropology at the University of the Witwatersrand in Johannesburg and a close friend of Neil Aggett. He had just finished writing a report on clandestine state violence a week before his death. In a key phrase he wrote: "Assassinations have the effect of controlling opposition when all other methods, such as detention or intimidation, have failed."

He was well known by many of the 30,000 mainly black, anti-apartheid activists detained, and mostly released, since the state of emergency was renewed in June 1986.

Many detainees were among the thousands of mourners, of all colours and religions, at his funeral service in Johannesburg's St Mary's Anglican cathedral on Saturday.

Mr Adriaan Vlok, the Minister of Law and Order who is in charge of the police, has ordered a full-scale inquiry by the Brixton murder and robbery squad and offered a large reward for evidence leading to the arrest of the culprits.

Although the reputation of the police, and the Government's claim to protect "civilised standards" is on the line once again, in this case the track record over the past decade inspires little confidence, especially among anti-government activists who fear that, with an election looming, another spiral of violence is in the offing.

Speculation of personal rift follows Iraqi death

By Andrew Gowers, Middle East Editor

THE Iraqi leadership appeared to have been thrown off balance at the weekend by the death of Gen Adnan Khairallah, the country's Defence Minister and a former key associate of President Saddam Hussein.

Iraq has been forced by his demise to request the postponement of a meeting of leaders from the four member states of the Arab Co-operation Council set to take place in Egypt on Wednesday. Gen Khairallah's successor was named yesterday as General Abdul-Jabbar Shanshal, formerly minister of state for military affairs.

The President announced on Saturday that Gen Khairallah was killed the day before when a helicopter taking him to Baghdad after a tour of Iraq's northern Kurdish region crashed in a sand storm. But the official explanation failed to curb speculation that his death might have been related to a rift between him and the President which has been evident since last autumn.

Gen Khairallah, Defence Minister since October 1977, was widely seen as one of the central pillars of Saddam Hussein's regime and of its eight-year war effort against Iran. As a cousin of the President and brother of his wife, Sajida, he was also an important member of the clans surrounding Saddam, based in the area around the central Iraqi city of Takrit (although Gen Khairallah was born in Baghdad).

An open rift in this inner circle would be without precedent, and would raise concerns about the stability of a regime which continues to revolve almost exclusively around the President.

Gossip about the Defence Minister, who was also a deputy prime minister, began with a row in the President's family last autumn, when Saddam had his own son Uday arrested for the murder of a presidential food-taster in a drunken argument. Gen Khairallah and his sister are believed to have taken Uday's side. Sajida and Uday were temporarily exiled to Geneva, and Gen Khairallah disappeared briefly from view.

Fears of Fortress Europe fading

Peter Riddell assesses US attitudes to the single European market

OPTIMISM tempered with vigilance was how Mrs Carla Hills, the US Trade Representative, recently characterised the US attitude towards the creation of a single European market.

Yet, as so often in Washington, there is a diversity of views within the Administration and Congress, with varying degrees of qualification from watchfulness to outright alarm.

What has become known as "Europe 92" is now a major issue, at least in the world of policymakers, providing a bonanza for lobbyists and conference organisers. Just as the target date of 1992 has provided a focus for decisions in Brussels, so it has concentrated the minds of both US businessmen and politicians.

Official views have, however, evolved. Initially, there was alarm – with fears of Fortress Europe, the creation of a strong, protectionist trading bloc. This was fuelled in part by ignorance of what was being planned, but also by the original proposals for reciprocity in financial services which might have placed severe restrictions on the operations of US banks in the Community. This led to a strong warning last August by Mr Peter McPherson, then deputy Treasury Secretary, about possible US reaction.

This strand of thinking was reflected earlier this year in the comments of Mr Robert Mosbacher, the new Commerce Secretary, who bluntly demanded "a seat at the table" in the discussions over new EC regulations. This demand, reflecting the views of some of his officials, was quickly disowned by other members of the administration.

Congressional opinion is still generally at this initial worried stage. After visiting Europe with several colleagues recently, Senator Lloyd Bentsen, the Democratic chairman of the Senate finance committee, which oversees trade policy, warned about "mirror" retaliatory action if the EC raised barriers against the US. His views have been echoed by senior Republican senators, and worry is still being expressed at the regular series of congressional hearings on the subject.

In the last couple of months, however, the administration's approach has become less strident and more subtle. This change has reflected two developments – the views being expressed to the administration by leading US businessmen; and the administration's continuing foreign policy review.

Many US businessmen have told the administration that, while they have a number of specific concerns, they see great opportunities within an enlarged market with fewer internal regulations. After all,

most big US groups have been established in Europe for a generation or more; Jean-Jacques Servan-Schreiber's book Le Défi Américain, warning about a US invasion of Europe, appeared in the 1960s. Sales of US multinationals' affiliate companies in EC countries are six times higher than direct US exports to the Community. US multinationals are also more likely to have Europe-wide strategies than many local groups, which often have a national base of primary importance to their business operations.

The administration's inter-agency policy review has recommended a compromise approach, with support for the principle of the creation of a single market but close monitoring to guard against protectionist tendencies. On the one side, reflecting worries about the US's competitive position, the Commerce Department and the Trade Representative's office are concerned not only about external barriers but also about the trading challenge which a stronger Europe might pose.

On the other side, the State Department and the National Security Council staff see the issue in broader strategic terms, welcoming the 1992 process as a continuation of the moves towards European unity which the US has encouraged since the Marshall Plan days of 40 years ago. In a period of fluidity in Eastern Europe and with considerable strains inside Nato, a positive virtue is seen in anything which binds western Europe together.

One senior administration official closely involved in the review places 1992 in the context of larger changes in US-European relations. He sees less emphasis on security issues and weapons systems, not least given the ability of a wealthy Europe to defend itself, and more focus on the economic side. To him, devel-

Many businessmen have said that they see great opportunities within an enlarged market with fewer internal regulations

oping close relations between the US and a post-1992 Europe are part of a general process of improving multilateral trading relations with, for example, Mexico and the Pacific Rim countries, in a manner consistent with the Uruguay trade round.

In practice, these differences of attitude matter less than the greater concentration at present on particular issues rather than generalised alarm. In a major speech last month to the Chicago Council on Foreign Relations, Mrs Hills identified a number of specific problems:

● The danger that the EC could manipulate rules on the country of origin of products, and guidelines on the suspension of import duties, to reserve the European market for community producers.

● The threat of applying reciprocity rules to banking and other financial service operations. It had been feared that before US companies could operate within the community, European companies would have to be able to operate on the same basis in the US. Both the US and Japan, unlike Europe, impose legal divisions between banking and securities operations. But earlier this month the Community modified its original proposals, requiring a broad "national treatment" approach, under which overseas concerns are treated on the same basis as domestic ones within a particular country. This move has been welcomed in Washington.

● A harmonisation of plant, animal and human health standards in a way which restricts trade – not to guard public safety but to limit import competition. This is what the US alleges has happened in the dispute over restrictions on the export of American beef treated with growth hormones.

Mr Daniel Oliver, the chairman of the Federal Trade Commission, has also expressed concern about the application of EC anti-trust and merger policy to US companies, notably in relation to franchising and patent rules.

Until recently both businessmen and Congress have been worried about whether the administration has been putting forward the US case strongly enough. Mr Bentsen has argued that the number of US trade officials monitoring the EC has been too small. There have been calls for more US input before standards and regulations are settled.

Senior administration officials believe the inter-agency process monitoring the EC is working well, but have been worried that US concerns have not been fed in coherently at the ministerial level. Consequently, a brief on specific 1992 developments was prepared for Mr James Baker, the US Secretary of State, so he could thank Sir Geoffrey Howe, the British Foreign Secretary, for UK efforts on banking reciprocity.

Overall, the US remains apprehensive about Europe 1992, as well as over more long-standing trade problems such as agricultural subsidies. Mr Alfred Kingon, the retiring US ambassador to the EC, expressed this in an extreme form when he recently argued that "most of the problems you're going to see in trade in the next four or five years are not going to be across the Pacific but across the Atlantic."

Few in Washington would go as far as that – and in Congress Japan is still much more unpopular and regarded as a bigger economic threat to the US than Europe. But many would go along with Mr Kingon in believing that it will require "continuous pressure to get them [the Europeans] to write the rules to keep their markets as open as we have ours."

OVERSEAS NEWS

LDP leaders set to decide Takeshita successor today

By Robert Thomson in Tokyo

SENIOR officials of Japan's ruling Liberal Democratic Party hope to settle today the appointment of a successor to Mr Noboru Takeshita, the Prime Minister, who has agreed to resign because of his involvement in the ever-widening Recruit financial scandal.

Party leaders are agreed that Mr Masayoshi Ito, 75, untainted by the scandal and known widely as "Mr Clean", is the most suitable successor, but Mr Ito, a former foreign minister, has so far declined to accept the offer, citing ill-health and advanced age as the reasons.

However, Mr Takeshita, just returned from a nine-day South-East Asian trip, said yesterday that he was ready to make a personal plea to the elder statesman, who is thought by some analysts to be holding out for a political package deal that includes the appointment of younger party members to senior posts.

During a stopover in Peking yesterday, Mr Sosuke Uno, the Japanese Foreign Minister, confirmed to his Chinese counterpart, Qian Qichen, that Mr Ito was almost certain to be the next LDP president and the country's new prime minister.

Masayoshi Ito: "Mr Clean"

LDP officials indicated that regardless of who took the position, the new prime minister would be expected to travel to the US soon after his appointment to attempt to ease the growing trade tension between the two countries.

Meanwhile, a member of the opposition Komei Party – literally, the Clean Government Party – has apparently become the first Japanese parliamentarian interviewed by the Recruit case prosecutors. Mr Katsuya Ikeda, 52, who resigned as the party's deputy secretary-general after allegations concerning Recruit links were made late last year, has been questioned about purchases by a relative, of 5,000 cut-price, pre-flotation Recruit Cosmos shares, according to Justice Ministry officials.

Until now, the prosecutors have concentrated on interviewing bureaucrats and businessmen, 13 of whom have been arrested, but the investigators are known to have been looking at parliamentarians with alleged links to Recruit, which attempted to buy influence in the Government and bureaucracy through generous political donations and share deals.

Justice Ministry officials are reported to have said Mr Ikeda had been interviewed as a potential witness in the case, and they indicated that a former Chief Cabinet Secretary, Mr Takao Fujinami, is to be interviewed about his alleged connection to 12,000 Recruit Cosmos shares purchased in the name of one of his secretaries.

Cambodia truce 'by July 25'

By Roger Matthews in Bangkok

THE PROSPECT of a Cambodian ceasefire being signed in Bangkok before the next round of peace talks in Paris on July 25 has been raised by General Chatichai Choonhavan, Prime Minister of Thailand, following further talks at the weekend with Mr Hun Sen, the Vietnamese-backed Prime Minister of Cambodia.

The response of the Cambodian resistance movement headed by Prince Norodom Sihanouk is likely to be made known later today, as the momentum for the settlement of the Cambodian conflict accelerates in response to the Vietnamese pledge of a total troop withdrawal by the end of September.

Even if the resistance refused to accept a ceasefire, Mr Hun Sen said that it was possible that the forces under his government's command could unilaterally stop hostilities.

The Thai authorities are said to believe that a ceasefire is crucial to a Vietnamese withdrawal because, without one, Hanoi would always have an excuse for retaining troops in Cambodia.

Hun Sen: firm on Khmer Rouge

Before leaving Bangkok, Mr Hun Sen added that the unilateral declaration of a ceasefire by his forces would be one way of ensuring that civil war did not erupt again.

But he stressed that did not mean his forces would lay down their arms and open the way to a return of the Khmer Rouge, the largest armed faction in the resistance movement.

Earlier, Mr Hun Sen had emphasised what he considered to be the successful outcome of the latest peace talks in Jakarta, in particular the fact that Prince Sihanouk no longer insisted on the dismantling of the regime in Phnom Penh. He hoped that Prince Sihanouk would not be persuaded to modify his position following talks with his coalition partners.

Prince Sihanouk meanwhile appears to have dropped his insistence that United Nations troops should monitor the Vietnamese withdrawal.

Following a meeting of the tripartite resistance movement in Bangkok, a statement suggested that an international conference, which would follow the July 25 peace talks, could be left to decide on the precise composition of an international force.

Embattled Barclays hopes to end dispute with irate S Korean staff

By Maggie Ford in Seoul

MANAGEMENT at Barclays Bank in South Korea are hoping for a return to peaceful pay negotiations with staff today, after a week of events which resembled the action in a Keystone Kops movie.

The saga began last Monday, when a 15-day cooling-off period officially ended, and staff declared a strike. Most foreign banks in Seoul have had difficult pay talks this year, and Barclays is one of the last to settle and the first to have a strike.

Management prepared to move out documents in order to continue providing a skeleton service elsewhere, but were blocked from leaving the back premises by irate staff. After police were called, the managers left.

Two days later, they were tracked down at a major Seoul hotel, where bank staff occupied the room and demanded that management restart negotiations. Again police intervened and the managers were forced to suspend operations.

The heated dispute is reminiscent of a major strike last year at the Seoul branch of Westpac, the Australian bank, where the manager decamped to a hotel after being accused of stamping on wall posters and locking staff in the building.

That strike escalated into a diplomatic incident with accusations of damaged Korean national pride and wide local press coverage. The manager was subsequently withdrawn and the strike settled close to the union's terms.

The dispute at Barclays seems more likely to end peaceably. The bank has offered a pay rise of 37 per cent, plus fringe benefits, close to the average foreign bank rises of around 42 per cent this year.

The banks have been hit by a curious quirk of South Korea's current economic transition from a developing to a developed country. In 1985 it was the world's fourth largest foreign debtor, and a job at a foreign bank was one of the top aspirations for South Korean financial staff, highly paid and prestigious.

In the past two years, however, the boom in the economy and the stock market has boosted pay and placed large capital gains in the pockets of employees of local banks and securities firms through employee stock plans.

Foreign banks have thus been hit by huge pay claims from staff wanting to maintain their comparable status. The banks' efforts to argue against the claims have not been helped by their profitability, which in the most successful banks is the highest of all Asian branches. Syndicated loan business has been replaced by foreign exchange trading and letters of credit continue to be lucrative.

Barclays, which made profit of Won 1.7bn last year, is not among the most profitable, and the anger of the staff may have been heightened by unconfirmed reports that the bank may be planning to withdraw from South Korea.

Barclays is reported to have offered its 25 per cent stake in the local Korea Merchant Banking Corporation for sale. It recently set up a representative office of Barclays de Zoete Wedd Securities.

Managers at the more than 40 foreign banks are now planning to set up a co-ordinated body to handle sector pay negotiations next year, in the hope of avoiding heated disputes at individual banks.

Staff unions this year set up a joint body which concentrated on equalising pay and benefits. This strategy resulted in settlements ranging from 40 per cent at the Bank of America, 47 per cent at Lloyds, to 61 per cent at Westpac, and 42 per cent at Standard Chartered.

A number of smaller banks settled earlier at less than 20 per cent, but re-opener clauses are likely to boost that figure to the average, when the pay round is over.

Foreign bankers are now trying to devise methods of taking advantage of the economic boom to give benefits to their staff without causing the present rise in costs. The problem is worsened by a shortage of trained financial staff, leading to job-swapping at high rates of pay and subsequent staff resentment.

It was probably inevitable that at least one bank would experience a confrontation this year during the pay talks. But as managers become more familiar with South Korean negotiating tactics, progress is being made.

The challenge now for the foreign banks will be to redefine their role, to remain profitable in a different environment from that of the past.

Australia hits at EC stabiliser agreement

By Chris Sherwell in Sydney

THE European Community's agricultural surplus and budget deficit problems will not be solved by last year's complicated "stabiliser agreement", according to an Australian government report.

The 46-page report has been produced by the Australian Bureau of Agricultural and Resource Economics, part of the Primary Industry department in Canberra. The department is a prime mover in Australia's campaign for international agricultural reform.

The report, published on Friday, closely examines the February 1988 package of budget and production stabilisers, which links reductions in support prices with production above specified threshold levels. The arrangements apply to cereals, oilseeds and other farm products.

In its findings, the report accepts that the package is an advance on the previous open-ended system of price support under the EC's Common Agricultural Policy. It also acknowledges that the package has temporarily resolved EC budget problems.

But it points out that the new arrangements are based on administrative rather than market mechanisms, and says price support will continue at levels far above prevailing international prices. Further, the controls are weakened by the lack of fully binding expenditure limits and by various loopholes.

After assessing the impact of the stabiliser policy on various crops and the impediments it faces, the report argues that the package will tend to restrain but not reduce production of most major products covered, "with the probable exception of dairy output.

"Any assumption that the stabiliser package is a once-for-all scale-back in assistance, or that genuine reform has been achieved in EC agriculture, would be misleading".

"The stabilisers. . . address the effects of the support system without changing that system greatly, and they do not necessarily lead to any significant improvement in the welfare costs currently imposed by the CAP within the Community or in the world trading environment in the short to medium term."

The net effect will therefore be limited, and the level of budgetary assistance will be likely to increase over time, the report says. The ideal solution lies in reducing EC support prices, but "there are major difficulties in obtaining Community agreement on this course of policy action".

The Canberra findings appear to tally with conclusions contained in a recently-published report by Agra Europe, the independent agricultural agency. This argued that the stabiliser policy would fail to contain EC production in the longer term.

Rise in Opec oil production

By Steven Butler

OIL production by the Organisation of Petroleum Exporting Countries last month rose to 20.5m barrels a day, 2m b/d higher than the Opec production ceiling agreed last November, according to the International Energy Agency monthly report.

Opec production rose by 700,000 b/d during the month, with all major producers above quota. The rise in Opec production, however, was partially offset by reduced production in Alaska and the North Sea.

Oil consumption in the developed countries rose by 1.6 per cent in the first quarter of the year, or 600,000 b/d, compared to the same period of 1988. Much of the increase was accounted for by strong economic growth in Japan. European consumption rose by 1.6 per cent.

Changing the climate of opinion

John Hunt assesses the ozone-layer conference in Helsinki

A NEW spirit of willingness to tackle global environment problems emerged from last week's Helsinki conference on the ozone layer, according to Mr Kaj Barlund, Finnish Environment Minister.

In contrast, one sceptical delegate confided that the meeting of 80 countries under the United Nations Environment Programme (UNEP) had been "all show and no dough."

He meant that the developed countries had paid lip-service to the need for more aid to help the Third World tackle the thinning of the ozone layer, but had shown little willingness to put extra cash on the table.

The truth lies between the two versions. Considerable progress was made towards swifter action and better international co-operation to reduce the use of chlorofluorocarbons (CFCs), which deplete the ozone layer. They are used in some aerosols, refrigeration and the manufacture of plastic foams.

The conference was the first meeting of members of the Montreal Protocol, the 1987 agreement to halve the use of production of CFCs by the end of the century. In addition to the 46 signatories, it was attended by over 30 other countries which have not signed the Protocol.

One important advance was the unanimous agreement to speed up the programme for phasing out CFCs. A politically binding declaration to end their use by the turn of the century was swiftly adopted and is expected to be incorporated in the Protocol when it is revised at a further meeting next year. There is every chance that the timetable of phase-out will be speeded up even further at that meeting.

In fact, many countries are already ahead of schedule, including Britain, which will have halved CFC consumption by the end of the year. But the significance of the Helsinki declaration is that it was approved by many Third World countries who are not members of the Protocol and have not given any undertaking till now.

Not surprisingly, environmental organisations, such as Friends of the Earth and Greenpeace, felt the conference should have moved much faster. They were particularly disappointed that it did not take tougher action on halons, used in fire-extinguishers, and other ozone-depleting substances. It was only decided to phase out halons and reduce the other substances "as soon as feasible".

The main battle was joined over the proposal to establish a global fund to channel aid from the industrialised countries to help the Third World develop alternatives to CFCs. The fear is that, if countries such as China, India, and Brazil develop a large CFC capacity, it will undo all that the West is trying to achieve in reducing these substances.

On the first day, delegates unexpectedly approved a Finnish resolution calling for development of appropriate funding mechanisms to transfer technology and equipment to the developing world for this purpose. Opponents of the fund saw this as an attempt to present them with a *fait accompli* and there were protests about "a pre-cooked resolution" being rushed through the conference.

From then on, opposition to the fund became more apparent, although, in the Helsinki atmosphere of "greener than thou" the opponents seem reluctant to come out publicly and voice their opposition.

The main aid donor-countries, such as Britain, the US, Japan and Germany were cool towards the proposal and preferred to see aid continued through bilateral programmes, or perhaps institutions such as the OECD or the World Bank.

It was left to the intrepid Mr Nicholas Ridley, British Environment Minister, to voice their fears. He described the proposal as "simplistic", and he pointed to the practical difficulties involved. Who would control it, how would it be administered, what criteria would be used for raising the money?

In the opposing camp, a large group of Third World countries, led by China, pressed for the urgent establishment of the fund. They argue that the highly-industrialised nations created the ozone layer problem by their heavy use of CFCs and it is only just that they should finance the development of alternatives by the Third World.

Until there is a firm proposal on this, China and other potentially big users of CFCs among the developing countries are reluctant to sign the Protocol.

They suspect that the donor-countries wish to cling to bilateral aid programmes because they can attach strings which give them political influence over the recipients.

A genuine obstacle to a global fund does, however, arise because the alternatives to CFCs are not in the hands of governments. They are being developed by ICI in Britain and Du Pont in the US. If these companies are to pass on technology or set up plants in the Third World, then licences and patents are involved and they will want a cash return on their investment.

Another major difficulty is that Dr Mostafa Tolba, UNEP director, and other enthusiasts for a global fund, envisage covering the whole area of climate change and global warming and not just the ozone layer problem. This fits well with Dr Tolba's desire to see a world agreement on measures to deal with the much more intractable problem of the greenhouse effect.

In the end, there was a compromise agreement to set up a group to work out proposals "including adequate international funding mechanisms which do not exclude the possibility of an international fund".

It is clear that the concept will not go away. It will come up again at next year's meeting to revise the Protocol and meanwhile, will be raised at other international meetings.

Norway has said that it would donate 0.1 per cent of its GDP annually to a global fund, if others will do likewise. "It would be an enormous fund," said Mr Jan Thompson, of the Norwegian delegation, "But then, the problem itself is enormous."

EC to step up plans for new 'green' agency

By Tim Dickson in Carceres, Spain

PLANS in Brussels for a new European Environmental Agency are likely to be stepped up, following a generally favourable reaction to the idea at a meeting of EC Environment Ministers over the weekend.

Some reservations were expressed, notably by the British Environment Minister, Lord Caithness, but most member states strongly endorsed the view of the EC's Environment Commissioner, Mr Carlo Ripa di Meana, that a European co-ordinating body for the environment is urgently required.

The agency initiative – described by one senior official as an important means of getting the Community's environmental policy into a higher gear – was first promoted by Mr Jacques Delors, the Commission President, in his keynote address to the European Parliament in January this year.

The move also has the strong political backing of France, whose Environment Minister, Mr Brice Lallende, even suggested at the weekend that the agency should be given potentially sweeping powers of inspection as part of its remit.

At this stage, however, the Commission envisages a body with more modest aims. As Mr Ripa di Meana sees it, its primary tasks would be to provide the commission and member states with "objective information" on which to base policies, to develop and apply the techniques of environmental modelling and forecasting, and to help with the preparation and implementation of Community legislation.

All Ministers agreed that the EC needs better and more up-to-date information – the differences emerged over how this should be achieved. Ireland, for example, pointed up the apparent paradox of a body designed to be scientifically independent and yet clearly intended to be a tool of the Community.

The Commission's idea is that the agency would be the "nodal centre" of a network of regional and national, public and private facilities, with key tasks, such as monitoring air pollution or water purity devolved.

Lord Caithness said after the meeting that "the question which needs careful study is whether the job can be done with existing institutions or whether you really need to create a new agency".

S America summit agrees to save Amazon rainforest

By James Barham in Sao Paulo

EIGHT South American presidents meeting in Manaus, Brazil, at the weekend agreed on a joint effort to curb destruction of the Amazon rainforest and encourage "rational exploitation" of the region's resources.

This is the first time heads of state of the Amazon region have met to discuss the forest's future since the 1978 Amazon Co-operation Treaty was signed in Manaus.

The leaders have reacted angrily to outside pressure, but President Jose Sarney of Brazil admitted the pressure "helped to create a consciousness on the need to preserve nature".

The summit ended yesterday when the presidents of Bolivia, Colombia, Ecuador, Guyana, Peru, Surinam, Venezuela and Brazil signed the Declaration of Amazonia, committing them to co-ordinate policies in the region.

Ecologically-sound development will be overseen by an Integration Institute of Amazonian Nations. The eight are to convene once a year to review progress. Brazil says only 5 per cent of its forest has been destroyed over 28 years. The World Bank says one-eighth of the forest has been lost.

The presidents also demanded a reduction in their foreign debt burden. But President Sarney again rejected "debt-for-nature swaps", which would reduce the foreign debt and provide funds for preserving the rainforest.

Costa Rica claims backing on 'debt-for-nature' swaps

By Nancy Dunne in Washington

DR ALVARO Umana, Costa Rica's Minister of Natural Resources, claimed new support in Washington for a proposal to expand "debt-for-nature" swaps as a means to retire Latin American debt while funding environmental projects in the region.

In talks last week with senators, congressmen, and US aid and World Bank officials, Dr Umana pressed for inclusion of the swaps in the Brady plan for debtor countries and for direct US funding for swaps. He plans to meet Treasury officials soon.

Costa Rica has taken the leadership in the effort to convert debt into productive investment for the environment. Four completed swaps, totalling $75m, with funding provided by conservation organisations, have retired 5 per cent of his nation's debt.

With the new funds from the debt, Dr Umana said the government has bought thousands of acres of land for conservation, and planted thousands of trees.

He has asked officials of the US Agency for International Development to provide bilateral assistance for further swaps. He said Mr Alan Woods, USAID administrator, had responded favourably.

The minister said he was trying to persuade the Brazilian government to reverse its policy of refusing "debt-for-nature" swaps, and urged support for a regional programme to boost electricity efficiency.

Paris stands firm on plans for New Caledonia's future

By Paul Betts in Paris

THE French Government intends to apply "scrupulously" the terms and timetable of the new constitutional process for New Caledonia, despite the assassination of the two Melanesian leaders who played key roles in last year's peace negotiations in the French Pacific territory.

Mr Michel Rocard, the French prime minister, confirmed yesterday that local elections would take place as planned on June 11 in New Caledonia. Next month's elections constitute the first step in the 10-year process which will ultimately lead to the referendum on self-determination in the territory in 1998.

Mr Rocard had initially considered postponing the local elections next month. But after spending 12 hours in New Caledonia to attend the funeral yesterday of Mr Jean-Marie Tjibaou and Mr Yeiwene Yeiwene, the two leaders of the FLNKS Melanesian independence party, who were killed last Thursday by a separatist extremist, Mr Rocard announced that the elections would go ahead as scheduled and that the new constitutional arangements negotiated last year would be "scrupulously" followed.

New Caledonians will vote next month for three new regional assemblies. These will become the centre pieces of the territory's new local government system when the current direct rule from Paris ends on July 14. The new regional assemblies are designed to improve co-existence in the territory between the pro-French European "Caldoches" settlers and the Melanesian community, by providing limited autonomy for each ethnic group.

Although the French government appears firmly resolved to put into effect the New Caledonian agreements negotiated last year, it has not disguised its preoccupations since the deaths of the two FLNKS leaders over the future of the territory and the risk of a new outburst of extremist violence. Mr Jacques Lafleur, the Gaullist leader of the pro-French community who negotiated the new constitutional agreements with Mr Tjibaou last year, asked yesterday with some anxiety who would now be his opposite number in the Melanesian camp.

Indeed, the FLNKS now faces the difficult task of finding a successor for Mr Tjibaou, the president of the Melanesian independence party, as well as for Mr Yeiwene, the party's vice-president.

The assassinations risk renewing the splits between moderates and extremists opposed to last year's peace agreements in the FLNKS movement.

SHIPPING REPORT

VLCC rates strengthen as tanker market keeps up

By Rachel Johnson

THE tanker market was still buoyant last week despite Golden Week in Japan, Easter Week in Greece and Ascension Day holidays in most European countries.

Very large crude carrier (VLCC) rates strengthened slightly, with 240,000 tons of crude oil being shipped from the Middle East Gulf to Taiwan at New Worldscale 42.

Charterers were able to cover at NWS 40, although owners were generally resistant to such a level – the majority wanted a minimum level of 42.5.

The shipbrokers Galbraith's attributed this confidence on the part of owners to period business levels still being arranged at rates that made spot market rates appear ridiculously low.

Galbraith's predicts an interesting week because the number of spot VLCCs is dwindling.

On paper there are only about six or seven awaiting cargo.

The Cormorant-Alpha platform in the North Sea is still out of action.

Several pieces of business have been concluded off the market in this section, and rates collapsed to about NWS 97.5.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Mar.'89	Feb.'89	Jan.'89	Mar.'88
US	20,298	19,306	18,324	11,579
UK	38,771	40,746	40,213	38,300
W. Germany	50,139	50,660	49,934	53,324
Japan	92,739	91,981	91,223	78,905
Belgium	9,368	7,955	7,878	7,913
Netherlands	14,437	14,368	14,039	13,696
Italy	35,534	34,219	33,137	27,489
	Jan.'89	Dec.'88	Nov.'88	Jan.'88
France	22,117	22,359	23,257	31,513

Source: IMF

UK NEWS

Rail disruption may begin wave of industrial unrest

By Charles Leadbeater, Labour Editor

DISPUTES spanning key areas of the public and private sectors in Britain will begin to bite this morning when railway services throughout the south east of England are expected to face severe disruption as a result of unofficial action by train drivers over a pay dispute.

The other disputes range from the electricity supply industry to the British Broadcasting Corporation and mark the most serious upturn in industrial conflict since the end of the 1984-85 miners' strike.

Hundreds of thousands of commuter journeys to London are likely to be disrupted as more than 6,000 train drivers in two British Rail regions begin a two-week, unofficial ban on overtime and rest day working.

With overtime running at 30 per cent among Southern Region drivers, services into Victoria and Waterloo are likely to be worst hit. The ban on rest day working is likely to mean that the action will have a cumulative affect, with mounting driver shortages.

London Underground train drivers are also expected to stage an unofficial one-day strike this week in protest at plans to extend the use of driver-only trains.

The Metropolitan Police last night advised commuters not to travel in by car as there were no plans to lift car parking restrictions.

The National Union of Railwaymen is expected to return to court this week to argue against an injunction granted to London Underground last week, which prevented the union going ahead with a plan for an all-out strike by about 12,000 staff. It is thought there may be some unofficial action despite the official delay to the strike.

Elsewhere, leaders of 76,000 electricity industry manual workers will start collating a ballot on industrial action over a 7 per cent pay offer.

Union leaders are due to meet the employers for further talks on Thursday, when the pay offer may be raised to 7.5 per cent, the level of the recent settlement in the gas industry.

Leaders of 800,000 engineering workers will meet on Wednesday to decide which companies to select for strike ballots in support of the Confederation of Shipbuilding and Engineering Union's claim for a shorter working week.

The TGWU's general workers union's 9,400 registered dock workers are due to start balloting on a national strike for a national agreement to replace the statutory National Docks Labour Scheme, which will be abolished this summer. Associated British Ports, the largest registered port employer, may this week apply for an injunction to prevent the ballot going ahead.

Meanwhile, union leaders representing about 18,000 staff at the BBC are planning a 48-hour strike over the corporation's 6 per cent pay offer. The Union of Communication Workers is due to meet the Post Office on Thursday for last-ditch pay talks covering 15,000 counter staff.

Leaders of more than half a million white-collar local government staff will meet employers for pay talks today over a 6 per cent offer which includes plans for more flexible working pratices. Both sides believe an industrial action ballot is inevitable if they cannot agree a deal at a meeting planned for May 17.

Satellite TV rejected by 80 per cent of public, survey says

By Raymond Snoddy

EIGHTY PER CENT of the British public say they have no intention of installing satellite television receiving equipment and fewer than one in 20 show any intention of buying a dish.

The continuing bleak outlook for satellite television – at least at this moment – is underlined in the second monthly Financial Times satellite monitor market research, based on interviews with more than 4,000 adults in April.

The work, conducted by Kennington Research, suggests that installations were low throughout April with no sign of a surge of consumer interest three months after the launch of Mr Rupert Murdoch's four channels of Sky Television.

"Our best estimate is that by the end of April the total number of homes in Britain able to receive television with their own dishes had reached 81,000, an increase of only just over 20,000 on the March figure," said Mr John Clemens, managing director of Kennington.

Because the number of dishes located in such a sample is so small – four old dishes of more than 1 metre diameter and eight of the new 65-centimeter dishes aimed at the medium-power Astra satellite, which carries Sky Television – Mr Clemens said the margin of statistical error was probably plus or minus 20,000 homes.

Kennington Research said it was confident, however, that the true number of homes with dishes now lay somewhere between 60,000 and 100,000, or between 0.3 per cent and 0.5 per cent of all homes.

Households saying they will definitely install satellite dishes is moving up, but not dramatically: 4.7 per cent in April, compared with 3.7 per cent in March, and 3.5 per cent in February, while those saying they will probably install a dish have moved up from 14.1 per cent in February to 15.7 per cent, or 3.3m homes in April.

The interviews took place before Sky Television launched its television advertising campaign on May 1. It also covers the period when British Satellite Broadcasting, the satellite consortium in which Pearson (publishers of the Financial Times) has a stake, was running an advertising campaign trying to persuade consumers to wait until its three channels are launched in September.

So far, the large majority of dishes installed have been in skilled working-class homes, the C2s of market research, and this group and professional and managerial workers, the ABs, seem the most inclined towards satellite television.

The channels did not seem to be effectively targeting any social class at the moment, Mr Clemens said.

Geographically, London has a small lead in "definite intentions" (6.8 per cent), but the North of England has the greatest reservoir of interest.

Kennington Research believes that its estimate last year – that there would be a total of 500,000 dishes installed after one year of satellite television in February 1990 – still looks a fair forecast.

The estimate depends on a successful BSB launch and continued heavy promotion for satellite television in the run-up to Christmas.

■ *In April, Kennington Research, on behalf of the Financial Times, interviewed by telephone 4,031 individuals aged 15 and over. The sample was weighted by age, social class, sex and tenure to be representative of the total population of Britain.*

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Sainsbury uses laser-scanning tills to monitor productivity

By John Gapper, Labour Correspondent

J.SAINSBURY, the supermarket grocery chain, has introduced a minimum productivity level of 20 items per minute for check-out operators using new laser-scanning tills. The tills have enabled it to monitor work-rates more precisely.

The move is one of the first indications that Electronic Point of Sale (Epos) equipment, which is spreading across multiple retail stores, will be used to control labour productivity as well as adjust stock levels.

Retail employers have traditionally found it more difficult than manufacturing companies to monitor productivity precisely.

The change raises the possibility of individual pay being linked more closely to output.

Sainsbury is now monitoring not only individual productivity of check-out operators but weekly productivity levels within stores. In one region, rates have been found to vary between 22 items a minute and 29.

The company said the rate of 20 items per minute had been chosen after monitoring stores as "a comfortable average" for operators. Some operators had been checking items through tills at more than 30 items a minute.

It said there was no question of operators being disciplined for failing to reach 20 items a minute, but that new operators who did not achieve the rate during a six-week induction period would be "asked" to transfer to other duties.

In one Sainsbury store in Walthamstow, Essex, one operator is said by the distributive trades union Usdaw to have been told that she could face disciplinary action if she failed to achieve 20 items a minute.

Ms Carole Creed, a worker at the store and a member of the Usdaw national executive, said local managers had also put up a sign listing the 25 fastest check-out operators during the week and encouraging others to speed up.

The sign had now been taken down, but she believed a minimum productivity rate was unfair because operators were being paid according to a standard hourly rate. It was also encouraging competition between operators.

Epos equipment, which has been installed in more than 200 Sainsbury stores, has enabled some employers to cut staff numbers. However, Sainsbury says it has used the productivity saving to increase the number of staff in other areas.

Sainsbury said it had no plans to move towards individual payment according to productivity.

Strategy for training to be published every year

By Charles Leadbeater, Labour Editor

THE GOVERNMENT plans to issue a three-year national training strategy each year in July, to provide an overall framework for local, employer-led Training and Enterprise Councils which are intended to take over responsibility for designing and delivering publicly-funded training programmes.

The councils will be expected to use the national strategy as one of the starting points for their annual planning. The national training statement will include details of the public money available for training, and set overall priorities for training in different areas.

The decision to publish a national training strategy will help to allay criticisms that the Government's plans to devolve responsibility to the councils could fragment training provision.

The move is disclosed in a confidential draft of the Operating Handbook for the councils. It shows that the Government's initial plan for establishing about 100 councils over the next four years has been scaled down to 80.

Each council will have a board of directors mainly made up of private-sector employers. They will be provided with a budget of about £25m a year to fund training for young people, the adult unemployed, and enterprise development.

The Government's plans have been criticised by several employer bodies. Most recently the Confederation of British Industry gave a warning that business leaders would not be attracted to serve on the councils unless they were given much greater flexibility over spending and staffing.

The handbook discloses two significant measures of flexibility have been introduced into the plans.

A council will be eligible for a £500,000 bonus if it provides training of particularly high quality. The bonus could be used to fund training for employees as well as the unemployed.

The handbook says councils, which will mainly be staffed by Department of Employment civil servants, will be free to refuse to recognise civil service trade unions.

National divide 'worsened by investment scheme'

By Ian Hamilton Fazey, Northern Correspondent

THE BUSINESS Expansion Scheme (BES), introduced in 1983 to encourage private investment in growing small businesses, has reinforced and worsened north-south divisions in Britain – the opposite of what was intended – according to new research into the way the scheme has worked.

The scheme allows private individuals top-rate tax relief on equity stakes in growing businesses. They can invest via managed BES funds or through prospectus issues by small businesses raising their finance directly.

The aim of the scheme was to create a new source of risk capital which would help redress the over-concentration of venture capital funds and investments in London and the south-east of England.

But new research by Mr Colin Mason, of Southampton University and Mr Richard Harrison of the University of Ulster at Jordanstown, shows a marked and increasing concentration of BES investments in the south-east and East Anglia.

They say that there is a drift from north to south in equity investment raised under the BES and that the rules should be amended to encourage more BES funds to be set up locally in Britain's peripheral regions.

A limit of £500,000 per BES issue per year imposed by Mr Nigel Lawson, the Chancellor of the Exchequer, in the 1988 Budget will not have much effect, they add.

This was specifically designed to encourage more investment outside the south-east, but the region had 352 investments worth under £500,000 in its first five years out of a national total of 712.

Demand at this level is likely to continue, even though businesses wanting more than £500,000 – the south-east had 141 of the 225 national total in the first five years – can no longer use the BES to raise it.

The researchers say: "In terms of its geographical impact the BES is reinforcing the economic advantages of southern England and discriminating against the economically-lagging regions of northern Britain."

HE'S NOT IN THE STATES.

BUT HE'S SEWING UP A DEAL IN MANHATTAN.

"I've just seen this season's collections."

"Always first with the inside info. So were we right?"

"You always are. You specified all the latest colourways from us."

"I guess I ought'a order more silk then."

"As I said, Brad, you're always right."

With AT&T, a worldwide leader in telecommunications, and your local telecommunications organisation the lines to the States are open for everyone.

If you want your business to pick up, pick up the phone.

AT&T

Brewers foam at 'threat' to the nation's 1,000 beers

Lisa Wood examines industry reactions to the report from the Monopolies and Mergers Commission

THE END of the traditional British pub is nigh – if the Brewers' Society, which represents most brewers, is to be believed.

The society's high-profile advertising campaign, thought to cost up to £5m, is designed to convince the public that traditional drinking habits would be threatened if the Government adopted controversial proposals from the Monopolies and Mergers Commission. The campaign has been suspended pending further talks with the Department of Trade and Industry.

But the brewers still believe that if the Government accepts the Commission's ideas – and Lord Young, the Industry Secretary, has said he will not ignore the report – the result could be as disastrous to pubs as Dissolution was to medieval monasteries.

Rural pubs could be sold off as private homes, brewers large and small might give up brewing and the beer drinker could have less choice, according to the society.

Opposition to the commission's report – which concluded that ownership of pubs by brewers restricted competition and often limited consumer choice – was expected from the Brewers' Society, which spent more than two years seeking to persuade the commission that all was well with the status quo.

Less predictable has been the wide body of hostile opinion from big brewers, smaller regional ones and consumer groups.

- The six leading brewers, which produce 75 per cent of Britain's beer and have 75 per cent of tied houses, oppose the recommendation that no brewer should be able to own more than 2,000 pubs. These brewers – including Bass, Whitbread, Allied-Lyons and Grand Metropolitan – own many more than that.
- The regional brewers, whose pubs are more heavily tenanted than the big brewers', feel threatened by the recommendation that tenants should be given protection under the Landlord and Tenant Act 1954. This, they argue, would prevent them exercising control over their own pubs.
- Tenants, who sell their owners' beers in return for reduced rents, fear they could be given notice to quit before legislation is passed, with brewers introducing more managed houses. They also believe that the proposed introduction of one "guest" draught beer into their pubs will mean rents will increase to compensate for lost sales of the brewer's brands.
- The free on-licensed trade, in particular clubs, is opposed to the abolition of the loan tie, whereby brewers give free houses low-interest loans in return for selling their beers. The National Licensed Victuallers Association says: "If pubs are going to be sold off and licensees want to buy them, then the cheapest and easiest way of financing the pub is the brewer's loan."
- Consumer groups, including the Campaign For Real Ale (Camra), have indicated strong support for some of the recommendations. But Camra claims that one monopoly could replace another if the Government does not impose a ceiling of 2,000 on the number of pubs a company can own. Camra says: "It is clear that under the present proposals some of the big six brewers will sell their brewing plants so as to retain all their outlets. These pure retailers would have no limits on growth."

David Thompson: forecasts a competitive marketplace

Camra, along with some companies including Wolverhampton & Dudley Breweries and Greenall Whitley, the largest regional brewer, have already made submissions to Lord Young, who has said he is "minded" to accept the MMC's recommendations.

Last week the Brewers' Society's advertisements – described by one regional brewer as megaphone tactics – led Lord Young to say that if brewers did not like the proposals they should come up with their own.

He insisted: "Whatever solutions you propose must remedy the facts that the report revealed. We cannot allow restrictions in choice and distortions in the market such as those found by the MMC to continue." It is unlikely, according to City analysts, that the report's principles will be negotiable, although detail might be changed.

A radical shake-up of the UK brewing industry can therefore be expected. But the result will probably not be the utopia the commission envisaged, with a greater choice of beers, sold at reduced prices by tenants partly liberated from the tie.

City analysts argue that some tenants may be unable to afford the new rents on properties in the more idyllic areas of Britain and that – just as the Brewers Society predicts – the pubs could be sold off as weekend retreats.

The flaw in the commission's scenario could prove to be its belief that the big brewers, faced by the 2,000 pub ceiling, would sell their excess pubs – bringing an estimated 22,000 pubs on to the market.

The reality is that retailing is where profits have been showing strongest growth for brewers. Larger companies might opt to sell their brewing divisions or float them as separate companies and concentrate on building pub chains. Foreign brewers, whose brands are brewed under licence by many British brewers, are tipped as likely purchasers of the brewing operations.

It seems unlikely therefore that many pubs will come on to the market. Instead, larger retail chains could be created which would find the heavily advertised brands of the big brewing concerns particularly attractive.

Camra comments: "The retail chains would not guarantee the survival of a wide range of beers, since they might choose to go down the route of selling a small range of nationally-promoted drinks at competitive prices."

Many of Britain's 1,000-odd beer brands are unlikely to survive – some weak brands, particularly among regional brewers, have been retained only through the tie. "Guest" beers might take away sales and these operations would then become uneconomical.

However, Mr David Thompson, managing director of Wolverhampton & Dudley Breweries, who gives qualified support to the proposed reforms, says brewers should not complain of thousands of job losses. "Why should the consumer pay for inefficient beer production?" he said.

Mr Thompson, like a number of the 50-odd regional brewers, including Greene King and Marston Thompson & Evershed, is fortunate in having strong brands which could benefit by being taken on by pub tenants of other breweries as guest beers.

He forecasts a competitive marketplace – bad news for brewers' wholesale margins – but does not believe retail prices will come down.

But it is claimed that consumers are increasingly willing to pay more in a fashionable pub for drinks which are perceived to be of premium quality. The commission, the brewers argue, failed to understand that the important determinant is what people are willing to pay for a product.

Economist sees limited threat from dock strike

By Peter Norman, Economics Correspondent

A NATIONAL strike by Britain's 9,400 registered dock workers would only disrupt between 20 and 30 per cent of the country's exports and imports and could result in a temporary improvement in the UK current account balance of payments, according to a report from Goldman Sachs, the US-owned investment bank.

Mr David Walton, an economist in Goldman Sachs' London office, said that Britain's monthly trade balance could improve by around £500m for the duration of a strike because British imports in the first quarter of this year were 28 per cent higher in value than exports.

He warned that most of the improvement would unwind once the strike was over because imports would rebound more than exports. Depending on the length of the strike and the timing of its ending, Britain could face a monthly current account deficit of £3bn after it finished, compared with last October's record £2.38bn current account shortfall.

Overall, however, the impact of a strike on the 1989 current account deficit should be fairly small. Although a dock strike is unlikely to be good for sentiment, it should pose no threat to the British economy, Mr Walton said.

Britain's registered dock workers will be voting on strike action this week, with the outcome of the ballot expected around May 19.

A national dock strike would apply directly only in the 40 British commercial ports that are members of the dock labour scheme. Those now handle less than 50 per cent of British trade by value.

Dover and Felixstowe, Britain's two largest ports, are outside the dock labour scheme, as are 34 other commercial ports.

According to Mr Walton, Dover and Felixstowe together accounted for 27.6 per cent of UK imports and 25.7 per cent of exports by value in 1987. This was almost half the trade passing through the country's 10 largest ports that year.

During the 1980s the amount of trade passing through non-scheme ports has increased much more quickly than that passing through those in the dock labour scheme. Mr Walton argues that trade through the non-scheme ports would be largely unaffected by a national dock strike.

Earlier dock strikes, such as the two staged in the summer of 1984, failed to attract support in the non-scheme ports where the employers could use the law to deter picketing by registered dockers.

Employment, Page 10

London City Airways will open hourly Paris service

By Lynton McLain

LONDON CITY Airways is to start hourly flights to Paris from London City Airport in Docklands from May 15, with six return flights daily, against the present four daily return flights.

Brymon Airways, the only competitor to London City Airways, has seven flights a day to Paris from the airport. Brymon is to announce a second weekday route from London City Airport in the next few weeks. It will not yet name the destination. Brymon already serves Jersey and Guernsey at weekends.

London City Airways said yesterday it had acquired a fourth de Havilland Dash 7 aircraft for the Paris route and for its other services to Amsterdam and Brussels, each of which is served by four flights daily.

Expansion of services from London City Airport to Paris has come after an announcement from John Mowlem, the construction company which owns the airport, that it will shortly submit a planning application to London Docklands Development Corporation to extend the runway enabling the airport to take jet airliners, such as the British Aerospace 146, with 100-seat capacity.

John Mowlem wants to extend the runway from the present 763 metres to 1199 metres.

UK NEWS

Midlands power station is third shelved by CEGB

By Maurice Samuelson

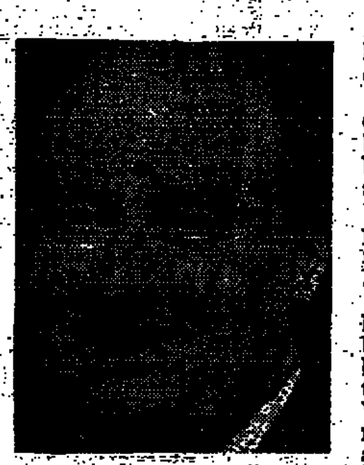
PLANS to build a £1.3bn coal-fired power station at West Burton in Nottinghamshire have been shelved indefinitely. It may never be built as a result of the electricity industry's reorganisation.

Proposals for two other power stations – at Fawley in Hampshire and Kingsnorth in Kent – have already been set aside with little hope of them being built before the next century and possibly not even then.

All three have in effect been cancelled although the Central Electricity Generating Board last year let contracts for the design of their boilers and turbines. The boiler contracts, worth about £30m in total, are being completed by Northern Engineering Industries, while the less costly turbine designs are being handled by General Electric Company.

National Power, the larger of the two power station companies to be carved from the CEGB, is still officially committed to the West Burton project after privatisation. An application to build it is still on the desk of Mr Cecil Parkinson, the Energy Secretary.

However, together with the other two coal station projects, it has been rendered uncommercial because of the refusal of the area distribution boards to place the necessary long-term orders for power after privatisation.



Lord Marshall: delicate task at union conference

Instead, the area boards prefer new generating capacity in the first period after privatisation to consist of smaller, mainly gas-fired, plants, of which nearly 20 have been proposed over the past year by independent companies, the area boards themselves and the CEGB's two successor generating companies.

The fate of the West Burton project will cause disappointment but little surprise to British power plant manufacturers, who for more than a decade have been starved of domestic orders for big coal stations.

They were particularly interested in the three new coal-burners, as they would have been the first in Britain to consist of 900MW generating units – nearly 50 per cent more powerful than those at the most recent station at Drax in North Yorkshire.

The Union of Democratic Mineworkers, the Midlands-based miners' union, will also be disheartened. It regarded the promise of a new station at West Burton as a political reward for its members' defiance in 1984-85 of the strike called by the National Union of Mineworkers.

Lord Marshall, the CEGB chairman, will have the delicate task of confirming its bleak prospects when he attends next month's UDM annual conference at Weymouth. Lord Marshall is also chairman-designate of National Power, the bigger of the CEGB successor companies, which would have ordered and operated West Burton station.

National Power has already formally withdrawn its application for the 1,800MW coal burner at Fawley, Hampshire. At Kingsnorth, PowerGen, the rival generating company, decided not to go ahead and the project was put on ice.

Sluggish DIY sales 'will revive'

By Maggie Urry

DO-IT-YOURSELF retailers are suffering a period of sluggish sales. But this does not herald the end of growth for the sub-sector, says a report from Morgan Stanley, the stockbroker.

The report argues that the conventional wisdom about DIY retailing is wrong. Many believe that the rapid growth of the large DIY chains will result in saturation of the market in a few years, with price wars and declining profits.

At Easter an outbreak of aggressive marketing tactics was sparked by B & Q, the largest DIY retailer, launching a discount card.

Other DIY stores responded with special offers and analysts feared this was the first sign of saturaton.

Morgan Stanley says this action has fizzled out. It attributes dull sales growth to the slowdown in house purchases and the squeeze on consumer spending. Further ahead it predicts revived expansion for the £7bn DIY market, which it says is still immature.

The broker argues that there is significant latent demand for DIY goods waiting to be unlocked through growth in home ownership levels, increased leisure time, greater confidence in doing DIY, and possibly, Sunday opening.

Morgan Stanley's analysis of the numbers of DIY superstores already open suggests that saturation – where there are too many stores in an area to allow another one to operate profitably – only exists in a few places.

It reckons that correctly sited new stores can make a high return on investment and that there is room for a further 500 or 600 superstores, an increase of around 60 per cent.

As the market become more competitive, the report argues, DIY retailers will have to do more to differentiate themselves from one another, segmenting the market and concentrating on areas such as home decoration, repair and improvement or the builders' merchant type of business.

Why The DIY Market Is Not Saturated. £250 from Morgan Stanley, 1a Wimpole Street, London W1M 7AA.

Consultants 'urged' to accept plan for hospitals

By Alan Pike, Social Affairs Correspondent

CONSULTANTS are coming under pressure from health service managers to agree to their hospitals becoming self-governing, the British Medical Association said yesterday.

Today is the deadline for regional health authorities to receive "expressions of interest" from potential self-governing hospitals. The names of those hospitals will be sent to Mr Kenneth Clarke, Health Secretary, this month, and the Government plans to establish the first self-governing hospital trusts in 1991.

The trusts – one of the proposals in the white paper, Working for Patients – would *remain* in the National Health Service but would have wide freedom to manage their own affairs. Community and other groups, as well as managers or medical staff, are entitled to propose hospitals for self-government and Mr Clarke will make the final decision.

Mr Paddy Ross, chairman of the BMA's Central Committee for Hospital Medical Services, which represents consultants, said pressure was coming from hospital managers who feared that no declaration of interest in self-government would mean no cash. But consultants saw self-government as a major threat to health service provision in a locality and to the overall spread of well-trained hospital doctors.

A meeting of the central committee last week also expressed concern about the effect which self-government could have on the future of medical education and research. It called for urgent discussions with the Government but said these must cover "the fundamental principles as well as the details of implementation."

Staff at Guy's, the London teaching hospital, have expressed an interest in self-government but a statement from a group of senior medical staff, including five professors, says suggestions that there is general enthusiasm for the move, or for the wider principles behind the white paper, gave an inaccurate representation.

Party tries to curb old obsessions

Philip Stephens starts a series on Labour's two-year policy review

THE LAST year has been the easy part for the Labour Party's economic strategists. Surging interest rates and inflation, a dramatic widening in the trade deficit, and the prospect of a prolonged squeeze on personal incomes have made the Government a relatively soft target.

The real test for Mr Neil Kinnock will start only this week, when his party completes its alternative strategy for government – the fruits of a two-year policy review on which it is basing its hopes for the next general election.

Central to that strategy will be Labour's plans for the economy, which, along with its defence policy, will probably decide whether the "new" Labour Party fashioned out of the defeat of 1987 has any real chance of electoral success.

Labour will no longer be able to rely on attacking the Government but will have to defend its own policies against what the Conservatives are already promising will be a sustained and sharp counter-offensive.

The two key economic documents, dealing with economic and industrial policy and with taxation and benefits will be finalised today at the start of a two-day special meeting of the party's National Executive Committee.

Their principal authors – Mr Bryan Gould, the trade and industry spokesman, and Mr John Smith, the shadow chancellor – expect only the slightest amendments to the drafts circulating in recent weeks.

Those drafts make two things clear. Labour wants first to be seen as having dumped its ideological baggage. It then wants to present the 1990s, contrasting it with the allegedly shallow and dogmatic policies of Thatcherism in the 1980s.

The Conservatives, the analysis runs, have squandered Britain's oil wealth by bribing the electorate with an unsustainable consumer boom. Neglecting education, research and development, and investment, they have left Britain defenceless to face intensifying competitive pressures in the next decade.

Labour says it will offer an economic and industrial strategy which will set education, training and investment as the key priorities. Additional consumption, save for the poorest sectors in society, will have to wait.

The quest for respectability has meant the party's traditional obsession with stimulating demand in the economy and its commitments to state ownership and punitive taxation of the rich have been dropped or watered down.

In their place are what Mr Gould calls a policy of supply-side socialism and Mr Smith terms a strategy of fair taxation. The talk now is not of overriding the market but of intervening in areas of market failure.

Both policy documents are also suitably sprinkled with warnings that a Labour Government would be firm on inflation, and that changes in taxation and increases in public spending would be closely attuned to economic realities.

Mr Smith proposes a progressive income tax system which, he says, would leave the tax burden on most people more or less unchanged but would divert resources from the wealthy to the poor. The lowest rate would be "below 20 per cent" – code for 15 per cent – and the highest 50 per cent.

Squeezing the rich for the sake of ideology is ruled out, although the proposed changes in National Insurance Contributions would give an effective top rate of 59 per cent, combining tax and national insurance. Those on the highest incomes would also be hit by tighter controls on their total allowances, and by higher taxes on capital transfers and gains.

The industrial strategy formulated by Mr Gould's group is aimed at changing the "culture" of industry: reversing the traditional "short-termism" with a combination of sticks and carrots in a new corporate tax system designed to stimulate investment, training and research.

An enhanced role for the Department of Trade and Industry, and the establishment of a series of national, regional and technological investment banks would "complement" the market. Alongside them, a Labour government would introducer tighter controls on mergers and acquisitions. Direct wage and price controls are ruled out, but the Monopolies and Mergers Commission would be given greater authority to investigate price increases.

As regards Europe, the review includes a commitment to membership of the European Monetary Systems' exchange rate mechanism but only when Britain's partners are ready to negotiate away the "deflationary" bias of the system.

Overall, Labour policy-makers are publicly optimistic that the two documents will provide the basis to restore the party's credibility as one which the electorate can trust to run the economy.

The problem is that Conservative leaders are equally optimistic that they will be able to unpick and the new strategy to reveal simply a "repackaging" of old, failed policies.

It is not hard to see where the attacks will be concentrated. There are enough gaps in the tax policy to ensure the charge that Labour remains the party of high and punitive taxation and, crucially, that those on middle incomes as well as the rich will suffer. The absence from the document of the income levels at which the new tax rates between 15 and 50 per cent would apply will bolster the Tory attack.

Conservative strategists will also be using their calculators to come up with an estimate of the public spending implications of Labour's promises. Their costings will assert that Labour remains set on an unsustainable spending spree which will force up taxes and public borrowing.

In parallel, Mr Gould's industrial strategy will be portrayed as a throwback to the "failed" interventionist policies pursued by the then Mr Harold Wilson in the 1960s.

None of the charges will be easy to rebut. Two, albeit lengthy and detailed, documents are unlikely to restore Labour's image overnight. Even if the party has dumped much of the baggage which lost it votes in 1987, its hopes for credibility will also depend on the Government failing to restore the country's economic fortunes in the run-up to the next election.

Tomorrow: defence

KEY ELEMENTS IN PROPOSED ECONOMIC STRATEGY

- New system of income tax bands running from "below 20 per cent" to maximum 50 per cent. Allowances to be replaced by special "zero rate" band. Full equality in tax treatment of men and women.
- National Insurance Contributions to be overhauled, turning present lower threshold into an allowance, removing ceiling on contributions and extending them to unearned income. Effective top rate of income tax and NICs becomes 59 per cent.
- Crackdown on tax loopholes, with introduction of US-style limits on total tax allowances for high-paid. Mortgage interest relief limited to basic rate of tax.
- Minimum wage to be set at half average earnings with ultimate target of two-thirds of average. Link between pensions and earnings to be restored.
- New system of tax incentives and grants to encourage industrial investment in new equipment and research and development with special emphasis on high technology. Tax levy on companies which do not undertake training.
- British Telecom and water supply to be returned to state control. Initial commitment only to tighter regulation of other privatised monopolies.
- Establishment of National Investment Bank to raise funds for long-term investment, alongside series of regional banks and new British Technology Enterprise. Plan for national fibre-optic telecommunications network.
- Reversal of onus of proof in takeover and mergers to show that they are in national interest. Strengthened powers for Monopolies and Mergers Commission over prices.
- Commitment to full British European Monetary System subject to agreement on economic strategy with rest of Community.

Ford modernises engine production

By Kevin Done, Motor Industry Correspondent

FORD has begun volume production of a new generation two-litre petrol engine at its Dagenham plant, east of London, as part of an ambitious modernisation of its entire European engine and transmission programme.

Ford has invested £157m in manufacturing equipment and technology for the new engine, which will be fitted in both the Sierra and Granada/Scorpio car ranges. It is planning to produce around 250,000 units a year of the new DOHC (double overhead camshaft) engine, with more than 90 per cent of output being exported to Ford assembly plants in Belgium and West Germany.

The Ford Granada/Scorpio is assembled at Ford's Cologne plant, while the Sierra is assembled at both Dagenham and Genk in Belgium. Earlier this year, however, Ford announced that its entire Sierra production was to be concentrated at Genk, with a transfer of production from Dagenham over the next year.

The two-litre DOHC engine, the first twin-cam engine to be built in volume by Ford, is designed to improve the performance of the company's larger cars and it is expected that both multi-valve (16-valve) and turbo versions will be introduced later.

The new engine, the development of which was announced in 1985, was scheduled to go into production in 1987, but its introduction has been delayed, not least by the changing environment surrounding emissions legislation.

The engine has been designed as part of Ford's move towards so-called lean burn power units, aimed at reducing noxious emissions without the use of expensive catalytic converters.

Tougher emissions regulations recently proposed by the European Parliament and the European Commission would make it necessary for all new cars to be equipped with catalytic converters in the early 1990s, however, and Ford said the new engine had also been designed for use with a three-way catalyst.

The new engine replaces the current two-litre SOHC (single overhead camshaft) engine in the Sierra and Granada ranges, but this SOHC unit will continue in production at Cologne for use in the Ford P100 pickup and Transit panel van ranges.

Ford insisted that the new DOHC engine had a life expectancy of at least 10 years. Earlier speculation had suggested that the DOHC engine would be short-lived, because it had been technically overtaken by the new 1.4-2.0 litre multi-valve engine family. That will be produced at Bridgend, South Wales, from mid-1991 as part of a £725m investment there.

Design and development of the engine has cost about £50m, with the balance of the £157m investment devoted to equipping what Ford claims is "one of the world's most advanced manufacturing facilities." Some 18 robots are employed in the machining and assembly operations, along with computer-controlled monitoring and inspection.

About 96 per cent of the DOHC components are to be single-sourced to a much small number of suppliers than before, while so-called "just-in-time" delivery has been introduced to reduce inventory and maintain frequent stock deliveries.

Fiat regains Heron's Lancia car franchise

By John Griffiths

FIAT has reassumed control of the Lancia car franchise in the UK from Mr Gerald Ronson's Heron Corporation. It is planning early action to boost Lancia's UK sales, which lag far behind those in almost all other European markets.

An agreement under which Fiat Auto (UK), a wholly-owned subsidiary of the Italian vehicle maker, has taken control of Heron subsidiary Lancar was completed last week, for an undisclosed sum, after several months of negotiations. It was signed a few hours after Fiat had moved into new headquarters at Slough, Berkshire, which will also house Lancia operations.

Only 10 of the 40 staff at Lancar's Crawley, West Sussex, headquarters are joining Fiat's work force at Slough.

Mr Peter Quaglia, managing director of Fiat Auto (UK) and now overall controller of Lancia activities in the UK, said the company would seek to expand sales, mainly through improvements in both the quality and size of Lancia's dealer network.

"The quality of the dealer image does not match that of the marque," he said.

Fiat is refusing to disclose any specific sales targets for the UK over the next few years. However, Fiat executives make clear that the goal is to bring Lancia's UK sales much closer to the European average.

Last year Lancia had a 2 per cent share of the total West European new car market. Although its share of the Italian market is disproportionately large, at 9.64 per cent last year, its share of the UK market last year was only 0.18 per cent.

In unit terms this represented 4,072 sales out of Lancia's total of 210,000.

Mr Quaglia left little room for doubt about Fiat's intention to deploy whatever resources might be needed to meet such a goal.

That will be made possible by the transformation in the fortunes of Fiat, Italy's largest private industrial group and the owner of Alfa Romeo as well as Lancia, since the UK franchise was sold to Lancar six years ago.

At the time, Fiat was struggling with heavy losses and the consequences of under-investment in the form of an outdated model range. By last year, however, the Turin-based group was reporting record operating profits of £1.6bn, nearly two-thirds contributed by its vehicle divisions. It is well advanced with the renewal of virtually the entire Fiat, Lancia and Alfa Romeo car ranges.

Against this background, Mr Quaglia said that Fiat expected to substantially increase advertising spending on Lancia in the UK this year, while the dealer network is to be expanded over the next few years from the current 90 to between 120 and 130.

Dealers are expected to benefit from new model launches which, Fiat hopes, will lift sales by at least 20 per cent over the coming year. These include a revised Thema executive saloon in two weeks, revised Y10 and Delta Integrale hatchbacks in summer and the all-new Dedra upper-medium saloon at the end of the year.

CBI backs campaign for rethink on pensions

By David Barchard

THE CONFEDERATION of British Industry has thrown its weight behind a campaign in the pensions industry to persuade Mr Nigel Lawson, the Chancellor, to rethink changes in pension rules proposed in his Budget.

A briefing paper published by the CBI today claims that the proposals will have wide-ranging and damaging effects, while benefits to the Exchequer will be small by comparison with the pension principles they undermine.

The proposals follow attacks on Mr Lawson at the annual meeting of the National Association of Pension Funds, where the Chancellor was accused of undermining the security of retired people.

The CBI is particularly unhappy at a proposal to place a ceiling of £60,000 on earnings eligible for pension contributions tax relief from June 1. The change will not apply to members of current schemes.

That change could make it harder for companies to recruit top-level staff because they might forfeit pension benefits if they changed jobs.

The CBI wants the limit on earnings eligibility to be set initially at £100,000 and any increases to be linked to earnings, rather than prices as the Chancellor is proposing.

The CBI adds that changes should take effect from April 1990 at the earliest, rather than applying retrospectively from June this year after the Finance Bill becomes law.

Another proposal to which the CBI objects is imposition of a ceiling of £9,000 a year on all pension contributions alongside the existing ceiling of 15 per cent of earnings.

Chernobyl-style reactors are being made safe, says Moscow

By David Fishlock, Science Editor

ALL SOVIET reactors of the type which exploded at Chernobyl three years ago, the RBMK, have been made safe or are now being modified, the Government has been told by its chief nuclear inspector.

Mr Eddy Ryder has relayed to ministers this assurance from his opposite number in Moscow, Mr Vadim Malyshev, chairman of the state committee for the supervision of nuclear power safety.

Public acceptance has replaced the RBMK as the biggest worry of the Soviet nuclear industry, although it is unlikely that more RBMKs will be ordered, Mr Ryder said.

Three major modifications have been made to the Soviet-designed RBMK to eliminate the design flaw held directly responsible for the explosion, known as a positive void coefficient. They are changes to the reactor control system, a faster reactor shut-down mechanism, and a new fuel. Taken together, they removed the flaw which allowed the Chernobyl reactor to run away, Mr Ryder said.

The Russians have also demonstrated the prototype of a still faster shutdown system, taking only two or three seconds, compared with 12 seconds for the modified RBMKs.

Mr Ryder headed a team of British nuclear inspectors which recently visited the Beloyarsk nuclear station in the Soviet Union, with a 600MW demonstration fast reactor as well as an RBMK.

Mr Peter Walker, Energy Secretary at the time of the Chernobyl accident, paved the way for exchange visits of nuclear inspectors, and Mr Malyshev made his first visit to Britain last year.

Mr Ryder said public criticism of nuclear power was making it difficult to find sites for new reactors of the pressurised-water type.

What was claimed to be a "more forgiving" design of PWR, intended for the dual role of electricity and district heating at Gorky, was debated so hotly the authorities had called in the International Atomic Energy Agency in Vienna to assess its safety.

After Chernobyl, the Soviet public was reluctant to trust its own nuclear experts and officials, but paid more heed to foreign experts, Mr Ryder said.

However, the authorities were rejecting foreign offers of help to monitor the health of people exposed to Chernobyl's radiation.

THF plans more budget hotels

By David Churchill, Leisure Industries Correspondent

TRUSTHOUSE Forte, Britain's biggest hotel chain, plans to open 50 more Travelodge budget hotels by the end of next year.

Mr Rocco Forte, THF's chief executive, announced the expansion plans at the weekend during the official opening of the 50th Travelodge hotel at Burnley in Lancashire by Mr John Lee, the Minister for Tourism.

The Travelodge chain was inaugurated in 1985, when THF identified the growing demand for budget accommodation in the business and leisure markets.

The hotels are sited on motorways or major roads, often close to service stations and other THF operations such as Happy Eater and Harvester restaurants.

A typical Travelodge hotel has some 30-40 rooms each of which can accommodate two adults and two children. Prices range from £19.50 a night for single occupancy to £24.50 for double or family occupancy. No extra charge is made for children occupying their parents' room.

Mr Forte said: "We have demonstrated our ability to establish a successful chain quickly and have the sites and management to ensure that there will be 100 units in operation by the end of 1990."

However, THF's expansion into the budget hotel sector is being challenged by several US and Continental hotel groups.

Holiday Inn International, Marriott and Quality International all have plans for budget hotel chains in the UK as does the French hotel company Accor.

A recent report from the English Tourist Board disclosed that some £40m was spent on development of budget hotels in England during the second half of last year.

The board said the sector was flourishing because it was filling, "an as yet unsatisfied gap in the accommodation market in this country."

It suggested that demand was being fuelled by the popularity of short-break holidays in hotels operating a one price per room policy, "irrespective of the number of occupants."

Confidence warning from Welsh business

By Anthony Moreton, Welsh Correspondent

FEARS that some of the sparkle surrounding business confidence in South Wales may have worn off emerge from the latest survey from the Cardiff Chamber of Commerce.

While expressing high confidence for the months ahead, the survey shows confidence to be lower than a year ago.

"Our latest survey still shows over 70 per cent of the companies in South Wales forecasting higher sales this year," Mr Fred Osborne, director of the chamber, said.

"Just a few years ago such a degree of optimism would have been sensational," he added. But it is clear that high interest rates and rising inflation are begining to worry industrialists, who are becoming increasingly concerned about their ability to sustain export orders.

Surprisingly, employment prospects appear to have improved. At the start of the year, 16 per cent of the companies questioned thought the brake on consumer spending might lead to redundancies. That figure had fallen to 3 per cent by the end of April. Four companies in every 10 think they will actually take on workers over the next few months.

One difficulty, according to the chamber, is that almost half the companies in the survey found it hard to find suitable workers, especially those with skilled trades.

A second report, from the influential Welsh Committee for Economic and Industrial Affairs, expresses concern about the position of financing small businesses.

The committee is a tripartite body comprising representatives of local authorities, the TUC and the CBI. "There is no overall shortage of finance for business in Wales," the committee reports, "but there are grounds for concern about the position of the small business sector, especially start-ups."

The single most important obstacle, as seen by small companies themselves, is lack of knowledge of what is available.

Finance for Business in Wales. free from Welsh Counties Committee, Mid-Glamorgan County Hall, Cathays Park, Cardiff CF1 3NE.

Thatcher's measures 'help rich'

By Peter Norman, Economics Correspondent

THE RICH and the working population in Britain have done much better out of tax and benefit changes during Mrs Margaret Thatcher's 10 years as Prime Minister than the poor and those not in work, according to an independent report published today.

The Institute for Fiscal Studies says British households are £7 a week better off on average as a result of the tax and benefit changes than they would have been if those had simply changed in line with retail price inflation since 1979. However, the IFS found that the gains had been unevenly spread.

The IFS says that half the money spent on tax and benefit changes accrued to the richest 10 per cent of the population. Using a computer model of a representative sample of British households, the IFS found that 80 per cent of the sample gained less than the overall average of £7 a week. The poorest third of households gained only £1.30 a week on average, while 25 per cent of the poorest households lost in the tax and benefit changes.

The study says the average £7 gain was a direct consequence of the big tax and national insurance cuts of the last three years. A similar study conducted in 1986 would have shown an average loss for households due to the tight fiscal policy during Mrs Thatcher's first years in office.

Taxation and Social Security 1979-1989: The Impact on Household Incomes. Institute for Fiscal Studies, 180 Tottenham Court Road, London W1P 9LE. Price £6 (£4 for members).

University reform paper is welcomed by minister

By David Thomas, Education Correspondent

PROPOSALS for more extensive reforms to universities and polytechnics than those made by the Government were welcomed yesterday by Mr Robert Jackson, Minister for Higher Education.

The proposals are in a pamphlet published today by the Adam Smith Institute, the free market research organisation.

The pamphlet's author, Mr Philip Malcolm, national student director of the Conservative Collegiate Forum, welcomes plans announced by the Government for student loans and higher publicly funded student fees.

However, he calls for more sweeping reforms designed to treble the proportion of the British population in higher education, now about 15 per cent, thereby bringing it into line with the US.

The pamphlet argues that this growth would be impossible if the state continued to fund the bulk of higher education, and it proposes a range of reforms designed to meet its target:

- Bringing fees completely into line with course costs.
- Encouraging students to contribute to tuition fees.
- Encouraging greater variety of higher education institutions, with more concentrated exclusively on teaching.
- Helping colleges to provide part-time work for students in and around campuses.
- Removing many powers of the central funding organisations for higher education.

Mr Jackson described the pamphlet as a "powerful and perceptive contribution to the ongoing debates on the future of higher education."

Light, Liberty and Learning. ASI, PO Box 316, London SW1P 3DJ. £9.

Meter bills may be too high, says Ofgas

THOUSANDS of tenants may be paying up to 50 per cent more than necessary for their gas through meters set by landlords, says Ofgas, the industry's watchdog body.

Mr James McKinnon, Ofgas' director-general, said yesterday a survey had found "widespread ignorance" of the correct payment levels.

He said thousands of tenants might be paying a lot more for their gas than they should be.

CONSTRUCTION CONTRACTS

Building momentum slows

By Andrew Taylor, Construction Correspondent

The proportion of civil engineering companies reporting an increase in order books has fallen below 50 per cent for the first time in two years, according to a survey published today.

The Federation of Civil Engineering Contractors last month asked 140 companies whether orders had risen, fallen or stayed the same during the previous 12 months.

Forty seven per cent said order books were higher, 34 per cent said orders had remained the same and 19 per cent said they had fallen.

The federation said the results showed that workloads were still rising but at a slower pace than at any time in the last two years.

"The indications are that workloads will remain at current levels or improve slightly in the next 12 months," said Mr Ron Emery, the federation's director general.

The federation's finding were in line with a similar survey published last week by the Building Employers Confederation which concluded that British construction output which last year reached a record level would increase further this year but at a slower rate than in 1988.

The Federation of Civil Engineering Contractors said the proportion of firms expecting orders to increase during the next 12 months had fallen to 16 per cent compared with 31 per cent when it conducted a similar survey in January.

The industry, despite the expected slowdown in the rate of growth this year, remains concerned about shortages of engineers.

The deep recession in civil engineering at the beginning of the 1980s and the competing attractions of other careers had led to a sharp fall in the number of graduates coming into the industry.

"Let us hope that the next round of policy statements from the Government, beginning with the White Paper on roads policy for England, will show that more work is going to be available on a regular basis and encourage young people to look to careers in civil engineering," said Mr Emery.

£186m workload for Trafalgar

TRAFALGAR HOUSE construction companies have recently won contracts totalling more than £186m on a variety of projects awarded to several of its operating subsidiaries.

John Brown Engineering has recently won orders totalling £51m in the US, Morocco and The People's Republic of China.

John Brown's Houston office has been awarded a contract for major modifications to the facilities of Lyondell Petrochemical Company at Channelview, Texas. This contract, valued at £30m, will require some 250,000 manhours of engineering effort and will employ 400 construction workers.

In New Jersey, US, John Brown is supplying three gas turbine package power plants and the company has also secured a six-year operation and maintenance contract.

Willett has been awarded contracts totalling £21.9m. They include an eight-storey office development in Midpoint, Basingstoke, for Rockfort Land. The development will contain some 84,000 sq ft of car parking on the lower three levels with 67,000 sq ft of office accommodation on the upper five storeys.

Gammon Construction, Hong Kong, (owned jointly by Trafalgar House and Jardine Matheson), has been awarded a series of contracts totalling £16.9m. The foundations division has won two boring contracts worth £10m, one for civils work on the container freight and distribution centre at Kwai Chung Terminal 4, and the other for trunk road T5 in Sha-tin.

Sofremines, a subsidiary of associated company Sofresid, has won a contract valued at £12m for the engineering of the construction phase of an open-cast iron ore mine at Itakpe in Nigeria. Niomco, the Nigerian national iron ore company, awarded the contract which includes the concentration plant, the dam on the River Osara, the water distribution system, the electrical power network and other associated services.

Redpath Engineering Services has won a £24m contract for the supply, pre-fabrication and erection of some 86,000 metres of stainless and carbon steel pipework from British Nuclear Fuels for its THORP project at Sellafield, Cumbria. The contract also calls for the installation of about 200 mechanical plant items. Pre-fabrication of the pipework will be carried out off-site at Redpath Engineering Services' facility near Workington, Cumbria. The 24-month project is expected to provide 450 jobs at its peak.

New county courthouse for El Paso

CHARTER BUILDERS INC, Dallas, the US subsidiary of Mowlem International, has been awarded contracts worth more than US$48m (£28.6m).

The largest is a US$36m (£21.4m) contract awarded by the County of El Paso, Texas, for a new county courthouse. The project involves the renovation of the north portion of the courthouse building, which will then serve as temporary facilities for the county commissioners while the south end is demolished and a new 14-storey courthouse takes its place. The 405,000 sq ft structure will house 21 courtrooms, judges' chambers, support offices, public space and a cafeteria.

When the courts relocate to the new building, the front, or north end of the existing building will be demolished and become the site of an open-glass, ceramic tile floor, sunken courtyard. Demolition work has begun and the project is likely to run for 45 months.

Other improvements the County is expected to award include a 12-level garage adjacent to the courthouse.

Fitting out City of London office project

HIGGS AND HILL has been awarded contracts worth a total of over £24m. Work has started on them all.

Having successfully completed the construction of River Plate House at Finsbury Circus, London, the company has been awarded a fitting-out contract for the building by Taisei Europe.

Lower ground and ground floors are to be formed into dealing rooms, and a computer suite installed on the third floor. On other floors of the six-storey building, executive meeting rooms and offices are to be provided.

The Standard Life Assurance company has awarded a contract to construct an office building at Hammersmith Broadway.

Cladding will be in Portland stone and facing brickwork with a classical facade at street level. It will have pitched roofs covered in slate and lead which will house the high-level plant rooms.

A four-storey office development for Price Waterhouse is being built in 70 weeks at Union Street in London.

The project is on the site of an old Roman dwelling area which has been investigated by the Museum of London.

A feature will be flat and segmental brick arches and indented and projecting bands of brickwork.

Higgs and Hill is undertaking refurbishment and upgrading of the National Westminster Bank, High Street branch, in Winchester. The Bank is to remain open for the duration of the project.

The company's long association with the Charing Cross Hospital continues with an order for construction of a basement car park which forms part of the development of a new mental illness unit by the Riverside Health Authority. The project requires a 17,00 cu metre excavation.

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Business economists

Exponents of supply and demand

Ralph Atkins explains how the corporate specialists are fulfilling their calling

The skills of specialist economists, schooled in the language of supply and demand but not actually making anything, might appear hard to sell to the average manager.

But the business economist is alive and well and as prepared as ever boldly to read economic tea-leaves for company directors.

Trained economists, supplying macro-economic forecasts and research, can be found in major companies in manufacturing, commerce and finance. Sometimes they are lowly back-office workers but often have direct access to chief executives or board members.

At ICI's economics and external studies group a professional staff of about 10, including engineers, mathematicians and statisticians as well as economists, spend about a third of their time preparing economic forecasts. The rest is spent on other research work.

Richard Freeman, its chief economist, used to work at the Treasury. "You have got to be much quicker on your feet in industry than in the public sector; you have a lot of responsibility in the sense that you have to justify your forecasts to the board and represent the company in other fora."

At first sight this proliferation of economists may seem surprising. Their role has expanded despite the cynical attitude of many towards the economics profession and an abundance of outside forecasters and commentators.

Forecasts produced by the Treasury and other groups have become notorious for getting things wrong – particularly last year when almost every economic variable, including growth, inflation and the trade deficit, was badly underestimated. If even the Government can't get it right, the reasonable businessman might ask, what hope has a company team?

There has also been growth in independent management consultancies and a trend towards contracting out of auxiliary services. Oxford Economic Forecasting, for instance, offers an off-the-shelf computer-based model of the world economy plus back-up services, for about £12,000 a year – far less than the salary expected by competent economists although someone who understands how it works would be needed to operate it.

Yet, available evidence suggests that there are a lot of these people about. If membership of the Society of Business Economists (SBE) is any guide, numbers grew steadily after the second world war to a peak in the late 1970s with a big surge in the 1960s as economic planning came into vogue.

In the early 1980s there was a shake-out – which probably reflected the massive restructuring of industry more than changes in economic thinking. Subsequently membership of the SBE has rebounded to about 820. Almost certainly this covers only a fraction of the total given that about 2,000 economics graduates leave university each year.

There is a problem of definition, however. Many graduate economists will not be employed as pure economists, perhaps taking jobs in planning, marketing or finance, but will still be able to offer a company the benefits of economic literacy. Back in the 1970s, a greater proportion of SBE members was employed in industry. More recently, growth has been in the financial sector.

Probably the main factor explaining the expansion is a growing conviction that an understanding of how the economy ticks is needed for the successful operation of a large modern corporation. Businesses also need some idea – however inaccurate – of where the economy is likely to be in the next 12 months or longer in order to plan and set budgets.

David Kingston, chairman of SBE and principal course director at Expert Training Systems, the management development training company, says: "A big company is going to be very much influenced by what is going on in the economy and what is going on in its market. It needs someone sufficiently skilled to interpret what is happening so the company can make sensible decisions about how to react."

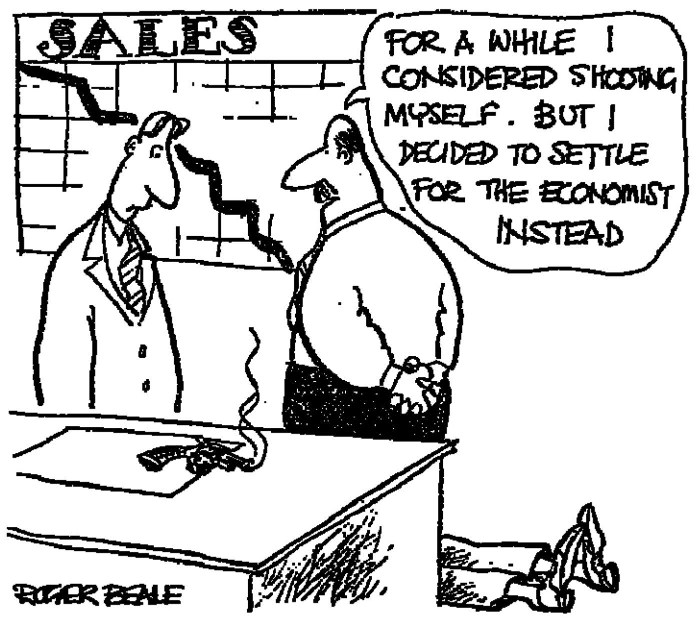
Apart from straightforward forecasting, economists can be used in other areas – investment appraisal, analysing the costs and benefits of options facing a company, or briefing management of likely government policy, for example. Here the boundaries with other specialist departments such as planning or marketing become fudged.

Salary surveys carried out by the SBE suggest that the status of economist in industry is not quite as high as it is in the City – but perhaps a step higher than in the public sector. Last year the median salary of members was £27,000 with a range of between £6,000 and £80,000. This encompassed the whole age range, from economists fresh from university to those approaching retirement.

In comparison, a typical economist in the City in his or her mid-twenties to thirties could expect to be earning about £40,000. In the Treasury, a comparable figure would be between £20,000 and £30,000.

But even economists agree that their worth is not always clear cut. A capital-intensive company, such as one in power generation, may be able to use an economist to analyse trends in energy prices and consumption in a macro-economic setting. At the other extreme, a fashion company might find no proven link between hemlines and the economy.

Economists are likely to be of particular value in the financial sector and in oil companies where expected price changes and the economic outlook are key factors affecting decision making. The skills of economists are also likely to be relevant in public utilities, multi-product companies or in large companies, such as high street retailers. In small companies, however, an economist is unlikely to be able to justify full-time employment.



Typical managers are unlikely to have acquired the particular skills that economists possess. Many experts, including non-economists, advise that the job of interpreting the economy is not something an averagely intelligent, but untrained, company director could do as effectively.

Basil Denning, director of Temple, Barker and Sloane, the management consultants, says a solution for a typical company would be to have somebody capable of analysing perhaps two or three independently produced forecasts. "In my view most companies can do as well with, at most, one economist," he says.

The benefit of an economist to a company depends crucially on how he or she is deployed. Possibly a mistake of the 1960s and 1970s was to rank economists *en masse* in their own unit to churn out endless unread reports and memoranda.

John Grant, chairman of the Strategic Planning Society, says: "A good economist is someone who has the ear of the chief executive and is expected to be pro-active – to say, do you realise so and so is happening? Would it not be a good idea if? They need to be someone who can speak for the company and who can stand and argue his case."

This calls for communication, as well as economic, skills. "They have to be able to argue their case with other economists and then the next day be able in a meeting of managers or board members to present what they have told the economists in terms which are immediately relevant to the managers," says Grant.

As the science of economics evolves, business economists are likely to become more populous. Computer modelling of the economy has yet to come of age and has yet to prove itself any better than the back-of-the envelope economist.

Yet Sheila Drew Smith, a partner in the consultancy division of Deloitte Haskins & Sells, says the expertise of the economist is worth more than the managing director sticking his finger in the wind. Their full potential may not yet have been realised.

She says: "In some organisations, they are closely integrated with the board and respected. More often, they are simply parked. But it takes two to tango. The economists have to make sure they are able to communicate and don't stick to esoteric language."

A catalogue of strategic woes of the west

Christopher Lorenz on the contention that many companies lack a clear commitment to winning

A Western management consultant was asked some time ago to help polish up the English translation of a strictly internal company document which his Japanese client, a leading consumer electronics multinational, had sent over for distribution to its European staff. To the consultant's surprise, the document's title was "World Conquest Plan."

Few western companies think in such terms, let alone tell their employees about it. Not only do they lack an obsession with winning, they fail to communicate that commitment to their organisation in a way which spurs it to achieve extremely ambitious goals over a sustained period of time.

Expressions of precisely this sort of "strategic intent" have helped lift Japanese companies such as Canon, Honda, Komatsu, and NEC from near-obscurity outside Japan to considerable international success, according to a hard-hitting article in the latest issue of the Harvard Business Review*.

This is by no means the only way in which Japanese companies are streets ahead of most of their western competitors in their development and use of strategy, according to the article's authors, Gary Hamel of the London Business School and Professor C.K. Prahalad of the University of Michigan.

Their article is one of the longest ever published in the HBR, and constitutes a sustained attack on the concepts and techniques which have guided western competitive performance over the past two decades or more.

By implication, though not by name, they attack such influential strategy luminaries as Harvard's Professor Michael Porter, and the work of several leading consultancies in such fields as competitive analysis and portfolio planning.

In a catalogue of western woes, they also claim that the widespread use of organisation structures with decentralised "strategic business units" (SBUs) puts western companies at a disadvantage against their Japanese competitors. "Few companies with a strong SBU orientation have built successful global distribution and brand positions," they say, because SBU structures discourage the co-ordination of activities across different businesses and countries.

On the strategy front, popular concepts such as four-stage product life cycles, three-part "generic strategies", and two-by-two planning matrices confine far too many western companies inside a strategic straitjacket, claim Hamel and Prahalad.

Such concepts help make companies deficient in "competitive innovation" – the art of changing the rules of the game in a particular industry, of building layer upon layer of competitive advantage, and of disarming one's competitors in new ways (including through collaboration with them).

Instead, western strategy concepts encourage "competitive imitation", warn the academics. As a result, companies "are expending enormous energy" simply on reproducing the cost and quality advantages which their global competitors already enjoy.

"The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today," the academics argue, pointing out that this is precisely what successful Japanese manufacturers have achieved over the past 30 years.

"In the 1960s, Japanese producers relied on labour and capital cost advantages. As western manufacturers began to move production offshore, Japanese companies accelerated their investment in process technology, and created scale and quality advantages. Then, as their US and European competitors rationalised manufacturing, they added another string to their bow by accelerating the rate of product development. Then they built global brands. Then they deskilled competitors through alliances and outsourcing deals."

The moral of this process, say Hamel and Prahalad, is that the most defensible competitive advantage of all is an organisation's ability to improve its existing skills and learn new ones.

This gets at the heart of the two academics' view of the basic differences between western and Japanese approaches to strategy. The most common western approach, they say, is to trim a company's ambitions to match its available skills and resources (this is known among academics and consultants as finding a "strategic fit").

But Japanese companies, and a few western ones, follow a very different line, of "leveraging resources" – including challenging everyone in the organisation to develop new skills and achieve dramatic personal, group and corporate goals. This is where "strategic intent" plays such a vital role.

At one level, say Hamel and Prahalad, an obsessive strategic intent simply focuses the whole organisation on a desired leadership position, and lays down a simple criterion that the organisation will use to chart progress towards it. Komatsu, the construction equipment manufacturer, set out to "Encircle Caterpillar". Canon sought to "Beat Xerox". Honda strove to become a second Ford – an automotive pioneer.

At the same time, the concept as applied in Japan also involves an active management process which, over a period of 10 or 20 years, sustains enthusiasm by providing a series of concrete medium and short-term programmes to reinforce the overall target, for instance, by first improving quality, driving down costs, cultivating export markets, and then underwriting new product development.

Emphasising that expressions of strategic intent are utterly different from the sort of worthy but often meaningless mission statements that are promulgated by many companies in the west, Hamel and Prahalad say that "vague mission statements" (and, for that matter, purely financial targets) "just cannot provide the consistent direction that is a prerequisite for winning a global competitive war."

Instead, top managers must develop faith in the organisation's ability to reach tough goals, must motivate it to do so, and must focus its attention long enough for it to develop new capabilities which will give it global leadership.

Strategic Intent. HBR May-June 1989. Reprint no 89308.

DIARY DATES

PARLIAMENTARY

Today

Commons: Dock Work Bill, timetable motion.

Motion on EC document on smoking in public.

Opposed private business.

Lords: Water Bill, committee.

Motions on Legal Aid Order and Beef Special Premium Order.

Tomorrow

Commons: Finance Bill, committee.

Lords: Water Bill, committee.

Licensing (Amendment) Bill, second reading.

Committee on a private bill: Birmingham City Council (No. 2) Bill. (Room 5, 10.30 a.m.)

Wednesday

Commons: Finance Bill, committee.

Motion on Personal Equity Plan Regulations.

Lords: Debate on compensation rules in compulsory purchase cases.

Debate on polytechnics.

Schizophrenia Aftercare Bill, committee.

Select committees: Defence: subject, procurement of Tucano trainer aircraft. Witness: Ministry of Defence. (Room 16, 10.20 a.m.)

Energy: subject, energy relations with the Soviet Union. Witnesses: Dr Klans Brendow, Mr Michael Kaser, Dr David Wilson and Mr Jonathan Stern. (Room 8, 11 a.m.)

Foreign Affairs: subject, Hong Kong. Witness: Lord Maclehose. (Room 15, 11 a.m.)

Education: subject Expenditure White Paper. Witnesses: Department of Education officials. (Room 20, 4.15 p.m.)

Employment: subject, part-time employment. Witnesses: B&Q. (Room 18, 4.15 p.m.)

Home Affairs: subject: Drug trafficking and related crime. Witness: Home Office. (Room 15, 4.15 p.m.)

Defence: subject, procurement of Tucano trainer aircraft. Witness: Ministry of Defence. (Room 16, 4.20 p.m.)

Procedure: subject, scrutiny of European legislation. Witness: Mr John Biffen MP. (Room 17, 5.10 p.m.)

Thursday

Commons: Debate on Government motion to approve the White Paper "Working for Patients."

Lords: Electricity Bill, committee.

Brunei (Appeals) Bill, committee.

Antarctic Minerals Bill, committee.

Common Land (Rectification of Registers) Bill, second reading.

Select committee: Defence: subject, progress on the Trident programme and capital works at the Atomic Weapons Establishment, Aldermaston. Witnesses: Ministry of Defence officials. (Room 16, 10.50 a.m.)

Committee on Private Bill: Birmingham City Council (No. 2) Bill. (Room 5, 10.30 a.m.)

Friday

Commons: Private members' motions.

Lords: Debate on the report of the review committee of the Parole Board for England and Wales.

Control of Smoke Pollution Bill, second reading.

FINANCIAL

TODAY

COMPANY MEETINGS-

Alexandra Workwear, Savoy Hotel, Strand, W.C., 12.00
Black (A.&C.), 35, Bedford Row, W.C., 12.00
Bunzl, The Brewery, Chiswell Street, E.C., 12.00
Laird Group, Brown's Hotel, Dover Street, W., 12.00
Matthews (Bernard), Maids Head Hotel, Norwich, 2.00
Rutland Tst., Hyde Park Hotel, Knightsbridge, W., 12.00
Sintrom, Howard Hotel, Temple Place, W.C., 10.30
TI Group, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.00
Wolstenholme Rink, Last Drop Hotel, Bromley Cross, Bolton, 12.00

BOARD MEETINGS-

Finals;
Borland
RIT Capital Partners
Sears

Interims;
Cronite
English China Clays
Huntingdon Int.
Titaghur Jute

DIVIDEND & INTEREST PAYMENTS-

Boddington Grp. 2.72p
British Vita 3.7p
Christiania Bank OG Kreditkasse Prim. Cap. Und. FRN $445.52
Clarke (T.) 4.0625p
FII Grp. 3.5p
Glaxo Hldgs. 10p
Holders Technology 2.5p
Hydro-Quebec Fltg. Rate Nts. Ser. FV May 2005 $489.88
London Forfaiting 4.625p
Low & Bonar 4.8p
Macro 4 1.9p
Miller & Santhouse 0.75p
Minorco 14cts.
Ramus Hldgs. 2.5p
Refuge Grp. 14.5p
Sirdar 1.65p
Swedish Match A SK3.25
Do. B SK3.25
Tioxide Grp. 11½% Un. Ln. 1991/96 5¾pc.
Treasury 3% 1990 1½pc.
Unisys Corp. 25cts.
Wates City of London Props. 2.31p

TOMORROW

COMPANY MEETINGS-

Baynes (Charles), 58, Coombe Road, New Malden, Surrey, 4.00
Bredero Props., Royal Automobile Club, 89, Pall Mall, S.W., 11.45
Herring Son & Daw, Cafe Royal, 68, Regent Street, W., 12.00
Plaxton, The Brewery, Chiswell Street, E.C., 12.00
Smith & Nephew, Grosvenor House Hotel, Park Lane W., 11.00
Wilson Bowden, Grand Hotel, Granty Street, Leicester, 12.00

BOARD MEETINGS-

Finals;
Ambrose Inv. Tst.
Marks & Spencer
New Ireland
Newmarket Venture Cap.
Parkland Textile
Quadrant

Interims;
Tilon Hldgs.
Windsor

DIVIDEND & INTEREST PAYMENTS-

A.C. Hldgs. 1p
Arlington Sec. 4.2p
Baltica Hldgs. DK0.08
De Beers Dfd. (Reg) 35.58852p
Do. (Br) 35.58852p
Do. S 35.58852p
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1994 £159.71
Hongkong & Shanghai Banking HK$0.27
Ingham (George) 2p
Int. Bank for Rec. & Dev. 11.5% Ln. 2003 5¾pc.
Johnston Press 2.5p
Lloyds Bank 11.3p
MTL Instruments 2p
National & Provincial Bldg. Society Fltg. Rate Nts. 1999 £323.03
Paragon Comms. 2.2p
Royal Bank of Scotland Fltg. Rate Nts. 2005 £159.26
Standard Chartered Und. Prim. Cap. FRN (Ser.2) $452.5
Victaulic 5.5p
Wolstenholme Rink 9.5p

WEDNESDAY MAY 10

COMPANY MEETINGS-

British Aerospace, London Marriott Hotel, Duke Street, W., 3.00
Dauphin, Business Design Centre, 52, Upper Street, Islington, N., 10.30
Evans Halshaw, Monaco House, Bristol Street, Birmingham, 12.00
Ibstock Johnsen, Hyde Park Hotel, Knightsbridge, S.W., 11.00
INSTEM, Savoy Hotel, Strand, W.C., 10.30
Kleinwort Smaller Co's Inv. Tst., 10, Fenchurch Street, E.C., 12.45
Standard Chartered, Merchant Taylors Hall, 11.00
Sun Life Assurance, Saddlers' Hall, Gutter Lane, E.C., 12.00

BOARD MEETINGS-

Finals;
Allied Irish Banks
Chesterfield Props.
City of Oxford Inv. Tst.
External Inv. Tst.
Lowndes Queensway

Interims;
Bibby (J.)
Novo Inds.
Stakis
Triefus

DIVIDEND & INTEREST PAYMENTS-

American Express 21cts.
Beauford Grp. 3.2p
Citicorp 40.5cts.
Citygrove 5p
Comms. State Bank of Victoria 7% Gtd. Bear Nts. 1992 3.5pc.
Domestic & General 2.75p
Nichols (J.N.)(Vimto) 5.1p
Scholes Grp. 2.6p
Southampton, IOW Steam Packet 18p
Sate Bank of New South Wales 7% Bear Nts. 1992 3.5p
Volvo AB A SK14
Do. B SK14

THURSDAY MAY 11

COMPANY MEETINGS-

Bardsey, Connaught Rooms, Great Queen Street, W.C., 12.00
Bilston & Battersea Enamels, Plough & Harrow, Hagley Road, Birmingham, 12.00
Britannia Group, Golden Valley Hotel, Cheltenham, 12.00
British Mohair Hldgs., Midland Mills, Valley Road, Bradford, 11.30
Cambridge Elect. Inds., Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00
Cattle's (Hldgs.), Willerby Manor Hotel, Well Lane, Willerby, Hull, 12.30
Filofax, Brown's Hotel, Albermarle Street, W., 11.00
GKN, Inter-Continental Hotel, 1, Hamilton Place, W., 11.30
Gaskell Broadloom, Pines Hotel, Clayton-le-Woods, Chorley, Lancs., 10.30
Iceland Frozen Foods, Second Avenue, Deeside Indl. Park, Deeside, Clywd, 10.00
Jacobs (John I.), Clifton-Ford Hotel, Welbeck Street, W., 11.30
Kwik-Fit Hldgs., Stationer's Hall, Ave Maria Lane, E.C., 12.00
Rentokil Grp., Felcourt, East Grinstead, West Sussex, 12.00
Shell Trans., Shell Centre, S.E., 11.30
T & N, Ramada Renaissance Hotel, Blackfriars Street, Manchester, 12.00

BOARD MEETINGS-

Finals;
King & Shaxson
London Atlantic Inv.
Mil. Research
Seafield
UEI
Yorkdye

Interims;
BOC
Grand Metropolitan

DIVIDEND & INTEREST PAYMENTS-

Alida Hldgs. 7.5p
Bilston & Battersea Enamels 2.7p
Business Technology Grp. 1.75p
Clayform Props. 6.4p
Gardner (DC) 2.2p
Herring Son & Daw 2.5p
Hydro-Quebec 10¼% Deb. Ser. GX 11/5/95 5⅛pc.
Jaguar 7.5p
Kode Int. 5p
North Housing Assoc. 8¾% Gtd. Ln. 2037 4⅜pc.
SD-Scicon 6.5% Cv. Cm. Rd. Pf. 3.25p
S.K.F. AB B SK14
Do. C SK14
Shorco Grp. 2.5p

FRIDAY MAY 12

COMPANY MEETINGS-

BTR, Hilton Hotel, Park Lane, W., 11.30
Blackwood Hodge, Painters' Hall, 9, Little Trinity Lane, E.C., 11.00
Bluebird Toys, Europa Indl. Park, Parsonage Road, Swindon, 10.30
Britannic Assurance, Moor Green Lane, Moseley, Birmingham, 12.00
Derwent Valley, Durrants Hotel, George Street, W., 12.00
Jourdan (Thomas), Stationers' Hall, Ave Maria Lane, E.C., 12.00
Laidlaw Thomson, Hotel Piccadilly, Manchester, 12.00
Metal Closures, Bromford Lane, West Bromwich, West Midlands, 12.00
Norfolk Capital Grp., Ironmongers' Hall, Barbican, E.C., 10.30
Oliver (George)(Footwear), Grove Way, Castle Acres, Narborough, Leicester, 12.00
Rugby Group, Crown House, Rugby, 12.30
SD-Scicon, Honourable Artillery Co., Armoury House, City Road, E.C., 12.00

BOARD MEETINGS-

Finals;
El Oro Mining
Exploration Co.
Whitbread Inv. Co.

Interims;
Hambros Advanced Tech.
Overseas Inv. Tst.
UK Land

DIVIDEND & INTEREST PAYMENTS-

AAF Inv. 4p
Alva Inv. Tst. 0.5p
Armitage Bros. 2.2p
Armour Tst. 0.25p
Asda Grp. 1.6p
Bedford (Wm.) 1p
Bermuda Int. Bd. Fd. 30cts.
Cattle's (Hldgs.) 2p
Derwent Valley Hldgs. 4.8p
EBC Grp. 5.4p
Flextex 2.7p
Fujitsu 3⅞% Bds. 1993 (With Wrrnts) 1⅞pc.
Do. (Without Wrrnts) 1⅞pc.
Hall Engineering 8.9p
Jacob (W.&R.) 6p
Lowe Howard-Spink & Bell 8p
Magnetic Materials 0.6p
Matthews (Bernard) 1.5p
Midland Bank 13.5p
NCR Corp. 33cts.
Needler Grp. 6.8cts.
Raine Inds. 1.5p
Rendsworth Tst. 1.5p
Rentokil Grp. 2.835p
Richards Grp. 1.5p
Royal Insurance 13p
Schroders 13.5p
Do. N/Vtg. 13.5p
Transport Development Grp. 6.5p
Wassall 1p

SATURDAY MAY 13

DIVIDEND & INTEREST PAYMENTS-

Admiral Computing 1.75p
BBA Grp. 5p
Treasury 3% 1991 1½pc.

SUNDAY MAY 14

DIVIDEND & INTEREST PAYMENTS-

ASD 6.5p

Trade Fairs and Exhibitions: UK

Current
British Craft Trade Fair (0282 867153) (until May 9)
Exhibition Centre, Harrogate

May 16-18
Energy Exhibition (0895 421111)
NEC, Birmingham

May 18-20
Scottish Money Show (01-940 2244)
Exhibition Centre, Glasgow

May 19-21
National Franchise Exhibition, including Other Business Opportunities (01-727 1929)
Olympia

May 23-25
National Incentive & Promotion Exhibition (0273 206722)
Olympia

May 23-26
Chelsea Flower Show (01-834 4333)
Royal Hospital, Chelsea

May 24-25
Computers in Manufacturing Exhibition (0372 372842)
Harrogate

May 26-28
Select Investment Show (06333 76626)
Brighton

June 6-8
Enterprise and the North West - Opportunities for Action Conference and Exhibition, (01-642 7688)
G-MEX Centre, Manchester

June 8-18
Fine Art and Antiques Fair (01-385 1200)
Olympia

June 11-14
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 21-23
Personal Investment Marketing Show (01-948 5166)
NEC, Birmingham

Overseas Exhibitions

May 13-17
International Automobile Show (01-379 0765)
Taipei

May 23-26
Asian International Chemical and Process Enginerring Exhibition and Conference – CHEMASIA (01-486 1951)
Singapore

May 27-June 4
International State Fair (01-734 4791)
Nicosia

June 9-18
International Air Show (01-225 5566)
Paris

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566)
Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8989)
Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777)
Atlanta

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303)
Brussels

Business and management conferences

May 8
FT Conferences: World rail – Service and profit (01-925 2323)
Hotel Inter-Continental, London

May 8-10
The Textile Institute: International forum (061 834 8457)
Harrogate

May 9-10
FT Conferences: Transport links with the Continent (01-925 2323)
Hotel Inter-Continental, London

May 10-11
International Business Communications: International money and capital markets 1989 (01-236 4080)
Cafe Royal, London

May 12
Hawksmere: The Companies Bill (01-824 8257)
Hilton Hotel, London

May 15
Institute of Economic Affairs Health Unit: The welfare state - the changing debate (01-799 3745)
Inter-Continental Hotel, London

May 15-16
FT Conferences: European banking (01-925 2323)
Venice

May 15-16
Acquisitions Monthly: Management buy-outs (01-823 8740)
Hilton Hotel, London

May 17-19
World Grain Magazine/Sosland Publishing Co: Global grain – coping with crisis (Brussels 32-2/736 03 05)
Sheraton Hotel, Brussels

May 17
The Institute of Economic Affairs: Law and economics (01-799 3745)
Queen Elizabeth II Conference Centre, Westminster

May 18
Centre for European Policy Studies: Business policy seminar - Energy policy options for the European Community ((32.2)513.40.88)
Brussels

May 19
Gouldens/Institute of Directors: The life and death of a company (01-583 7777)
116 Pall Mall, London

May 22
International Business Communications: Offshore funds - a time of change (01-236 4080)
City Conference Centre, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

CONTRACTS & TENDERS

REPUBLIC OF PERU
MINISTRY OF ENERGY AND MINES
EMPRESA PROMOTORA BAYOVAR S.A.

A PUBLIC INTERNATIONAL BID FOR A TURN-KEY CONTRACT WITH FINANCING FOR THE EXPLOITATION OF PHOSPHATES IN BAYOVAR - AREA II
NO. PB-LPI-001-89

- NOTICE OF EXTENSION -

Upon request for the interested party, we herewith inform that the submission for the International Public Bid in its prequalification phase has been modified in accordance to the following schedule:

- Sale of prequalification documents until June the 3rd, 1989.
- Any consultation on the bidding documents can be made until June the 10th, 1989.
- Act of opening of the proposals for prequalification June the 20th, 1989.
- Publication of results will be on June the 30th, 1989.

Lima, April the 28th, 1989

EDUCATIONAL

RENTALS

COMPANY NOTICES

Annual General Meeting
Shareholders in
Svenska Cellulosa Aktiebolaget SCA

are hereby summoned to the Annual General Meeting of Shareholders to be held at Tonhallen, Fabriksgatan 14 in Sundsvall, Sweden, on Monday, May 29, 1989 at 4:30 p.m.

[illegible]

Sundsvall, May, 1989
The Board of Directors

Svenska Cellulosa Aktiebolaget SCA

LIBRA BANK PLC
[illegible]

ART GALLERIES

CLUBS

ARTS

ARCHITECTURE

Acropolis meets civic centre

It was the Canadian writer Margaret Atwood who wrote about the feelings of the pioneers as they staked out their plots "in the middle of nowhere." To any visitor from the old cities of Europe there are those same feelings of excitement and desolation as he approaches the new settlements of North America.

There is always a sense of distress at the detritus caused by dependence upon the motor car and the apparently profligate consumption of land. The new city of Mississanga was inaugurated in 1974 and is on the western edge of the suburbs of Toronto. Its origins go back to the development of sub-centres intended to contain and organise the rapid growth of Toronto in the 1970s. North York and Scarborough, two parallel sub-centres grew up at the same time, but had the major advantage of good public transport links with Metropolitan Toronto. Mississanga, until recently, was most famous as the home of the second largest shopping mall in Canada – developed by Hammersons. Today it has a more serious claim to fame as the home of an important new civic centre that is as striking as it is controversial.

The Mississanga Civic Centre was designed by Jones and Kirkland, a Canadian Partnership, *after a national competition* that attracted over 240 entries in 1982. Edward Jones is British and was trained at the Architectural Association and Michael Kirkland is an *American teaching and practising* in Toronto.

The completed building is, by any standards, remarkable. It is highly sophisticated, urban and intelligent, a pioneering civic building that, at present, exists without a city. Bravely it establishes new parameters for civic design: can it stimulate more buildings in the city of a similar standard?

In many ways it resembles an acropolis. It is a collection of buildings for different functions grouped in a highly picturesque fashion on a large flat plot almost next to the sprawling anonymity of the shopping mall. The first thing most visitors see is the least successful part of the design: a tall skeletal clock tower loosely based on the clock tower of the old City Hall of Toronto with a Toytown clock sitting under a pyramid roof, which looks oddly juvenile alongside the elemental seriousness of the rest of the group.

Approaching on foot, the main south facing front is a giant pediment instantly reminiscent of two *older* European masterpieces. As the pediment makes up the whole of one building, it is very similar to Asplund's design for the Swedish Courthouse at Lister (1920's) which is, in turn, like *Palladio's Villa Valmarana.* The pediment block is approached across a forecourt with trees and fountains. Here the massing is powerful, made even more effective by being built of banded Roman brick. Inside the entrance arcade is a recessed entrance that leads into the high and richly ornamented main entrance hall or "civic room."

This is a grand interior civic square roofed in glass. Walls and columns are clad in Italian green marble and granite. The great arch on the entrance wall is reminiscent of the entrance to Karl Marx Stadt in Vienna. The whole room also feels like something designed by Hoffmann in Vienna.

The richness of materials is splendid – almost vulgar and *highly suitable for a civic centre* attempting to make a mark in a new city. Curiously, this great civic hall is not highly articulated on the outside of the group of buildings. The pyramid shaped glass roof over the hall is dwarfed by the great drum shaped council chamber. No secret that this is an interpretation of Asplund's (1920's) Stockholm public library – one of the icons of Scandinavian neo-classicism.

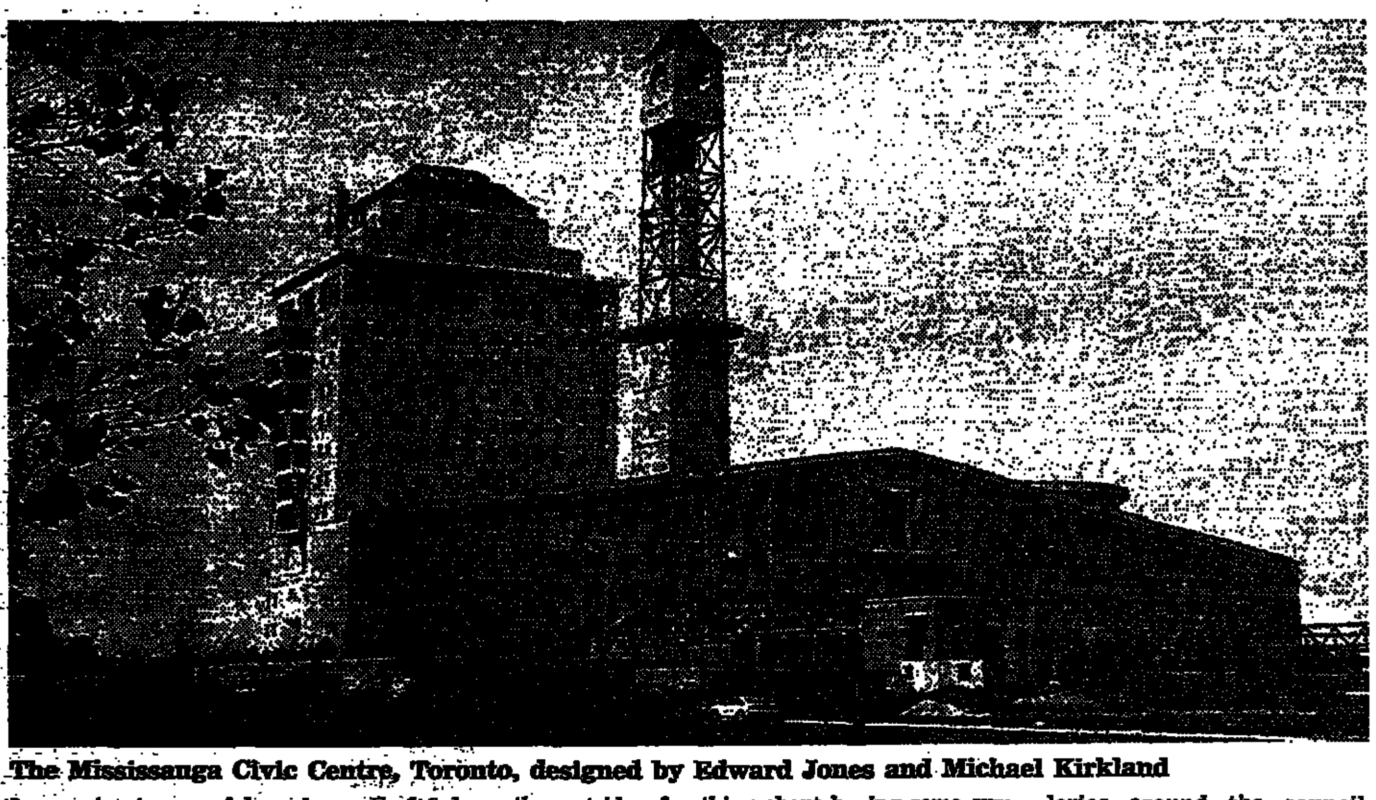
The collection of giant forms clustered together in an historical collage is highly memorable; the city has acquired its only landmark. It is totally appropriate that it should be the civic centre; historically, the forms suggest government and a degree of grandeur and hierarchy. Some people have *suggested that the forms also* reflect the agrarian landmarks of Ontario; the barns and the silos of the prairie. The good thing about having some symbolism is that at least it is open to interpretation.

The interior of the Council Chamber naturally reflects the circular exterior. The one hundred foot wide domed roof is painted to resemble an evening Spring sky over the city. The stars are illuminated spots of light in the ceiling (all done by fibre optics) and the effect is rather like a planetarium. However, there is a dignity to the room that comes from the architecture rather than the decoration.

The intermediate spaces between the drum, the pediment and the tower show these *architects at their most inventive* and sometimes Piranesian. The art gallery, lesser hall, the grand staircase and the galleries around the council chamber are all internally intriguing spaces, full of architectural references both historical and modern.

This great public edifice enriches our architectural vocabulary. It is no discredit to the architects to say that it would never have existed without the work of Michael Graves and James Stirling and the approach to architectural history so well taught as the application of "Collage" at Cornell by Colin Rowe. It achieves its chief object brilliantly – to be as strongly and identifiably civic as possible. It could not have achieved the presence it has without *a learned return to* architecture's classical roots.

Colin Amery



The Mississanga Civic Centre, Toronto, designed by Edward Jones and Michael Kirkland

SPONSORSHIP

Promotion abroad

Marks and Spencer is coming out of the closet. It has always been one of the biggest arts sponsors in the UK, but channelled its money discreetly through the traditional format of a committee of directors who gave to medical and educational causes, to community welfare, and to the arts, mainly at the local level. It was old fashioned charitable giving, primed by a sense of social responsibility. Little publicity was sought or desired.

That is changing – slightly. M & S has put up £60,000 for an overseas marketing exhibition, entitled *All Dressed Up: British fashion in the 80s*, the successor to similar ventures selling British achievements abroad – on pop and, more dubiously, sport. It will start in Poland in October and then travel around Eastern Europe for two years, showing off the nifftiest work of British fashion students.

But if M & S, which has outlets in Hungary and Czechoslovakia, is providing self-interested backing to an art form which produces much of its profits, its partner in the venture, the British Council, sees it as another fine example of export arts sponsorship.

Just over a year ago it set up a department under John Nickson to promote to business the message that the excellent reputation of British arts ensures that they can be used overseas as a bridgehead for business. In 1988-89 it stimulated £1.7m of corporate money for overseas touring, ensuring such successes as the Barclays backed British art exhibition in Madrid, the Far East tour of Sadler's Wells Royal Ballet, supported by Glaxo, and recently the RSC's visit to the continent, courtesy of the Midland. Its target for 1992-93 is £5m.

It is all part of plural funding, which has become the Government's favourite catchwords. The British Council supports British arts abroad in its line of duty but, with restricted resources, its impact is limited. And its brief is wider than just selling the arts. Its biggest proposed venture, attracting £500,000 from Rank Xerox, which it will match, covers the management training of Soviet executives, and fellowships for African and Indian academics. But there will also be an arts link, probably involving the LSO in an East European tour. In all, joint initiatives involving the arts accounted for two thirds of the money the British Council raised from business last year.

It believes that it is close to announcing a sponsor for the ENO's tour of the Soviet Union next year; it is talking to potential sponsors for the National Theatre's Far Eastern visit in the autumn; it is urgently seeking aid on a breakthrough tour sending 60 modern British figurative paintings, including work stretching from Gilbert & George to Lucian Freud, to China later this year, which needs over £150,000 in aid.

The companies that have tested overseas arts sponsorship are happy with the results. Glaxo has signed a deal to open a factory in China; Barclays is the biggest British bank in Spain, one of the fastest expanding economies in Europe. Being seen entertaining the Chinese Minister of Health at the ballet, and the both the Spanish and British monarchs at the Prado in Madrid, smoothed both companies' commercial progress.

The Prince of Wales will support these joint British Council/corporate sponsor/arts company initiatives where possible, as will other members of the Royal family. (Princess Margaret recently watched the London Festival Ballet in Egypt which was underpinned by Thomas Cook.) And the Prime Minister, too: she is the star of a video produced to sell the concept, a gesture which follows the first increase in the Council's grant for over a decade. The arts are turning into one of our most effective invisible exports.

★

London's reputation as the greatest arts centre in the world is under threat following its failure to attract some of the major touring art exhibitions. The latest loss is the Gauguin show, currently packing them in in Paris. The Royal Academy does its bit, but lack of funds, of venues, and of imagination is the main reason for missing out on the blockbusters.

This could change with the opening of the exhibition gallery in the new Sainsbury wing of the National Gallery in 1991. Already the Gallery is planning its first shows there – and negotiating with sponsors. It hopes to kick off with pictures from the Royal collection, which is certain to be a tremendous crowd puller. Another favoured project is for a Rembrandt exhibition drawing on collections in Holland, Germany and the UK, visiting all three countries and offering a perfect vehicle for a company with pan-European ambitions in that fateful year, 1992.

The National Gallery has done well in its quest for sponsors since recruiting Hugo Swire to head the drive last year. *Three companies – Shell* which backs the Artist's Eye shows; Esso, the supporter of Art in the Making; and Dixons, which pays to keep the gallery open late on Wednesdays in the summer, are greatly raising their sponsorship this year. Dixons contributes almost £80,000 to cover debates and concerts in the gallery to enliven the longer hours.

★

Serendipity has brought in A & M Hearing, which produces around a third of the 300,000 hearing aids sold in the UK each year, as a first time arts sponsor. It is putting up around £30,000 to support seven concerts of Beethoven Symphonies from the RPO under Previn at the Festival Hall in June and July.

Beethoven is the perfect example of how the hard of hearing need not forswear music, and these days the induction of loop system in most concert halls enables the wearer of a hearing aid to enjoy the music as much as the listener suffering no impediment. A & M Hearing will mount an exhibition in the foyer of the Hall and after each concert there will be receptions with guest speakers.

Another first time sponsor in the concert hall is Panasonic Europe, which is backing the European Community Baroque Orchestra with £50,000 to tour the continent this month. As in art, pan-European ventures are likely to become more common as we approach 1992. This autumn the Academy of St Martin in the Fields will launch a European Corporate Membership Scheme, sponsored by Citicorp, which offers companies who join up 20 complimentary tickets for the European concerts of their choice. In 1989-90 alone the Academy will be giving 70 concerts in over forty European cities.

★

Arts & Communications Counselors, a division of the PR company Ruder Finn, set up in London last week. Not on the surface earth shattering news, but wait! This is easily the largest arts consultancy in the world, operating in the US for 30 years *and including among* its clients some of the biggest names in arts sponsorship, such as Philip Morris, Chase Manhattan and American Express.

London is seen as the base for European campaigns, such as this year's global tour by the American Ballet Theatre which Philip Morris is underwriting with $1.5m (£880,000). What will interest British arts organisations is the fact that, unlike most of its British competitors, it also works for arts bodies, and numbers many leading museums among its clients.

Corporate sponsorship of the arts in the US is estimated to approach $5bn, and A&CC sells the concept in terms of strategic philanthropy rather than stressing the tax advantages. The idea is that supporting the arts gives American Express a quality image while Philip Morris is seen as progressive.

The company also works on a retainer for arts organisations seeking sponsors, coaching them in what they must offer business. One obvious area of growth is the packaging and touring of treasures from British galleries and museums overseas: others include assisting companies in building up art collections and advising developers on an art angle in selling their properties. A&CC talks big numbers: it does not believe that the arts should sell themselves short; and working for multinational corporations it is often handling multi-million dollar projects.

★

The Minerva Theatre, the studio and rehearsal space for Chichester Festival, opens this month, a triumph for sponsorship and for self help. The £2.5m project has been funded from Chichester Theatre's profits, its friends, and Nissan UK, which put up £500,000. The first season of seven productions is backed by IBM with £25,000, while Southern Electricity has pledged £30,000 over three years.

The attraction of the studio theatre, according to director John Gale, is that it "gives us the opportunity to fail." With the main house needing attendances of 80 per cent to keep the unsubsidised venture in the black few chances can be taken on the main stage.

★

The Business Sponsorship Incentive Scheme has claimed its 1,000th first time sponsor, Beefeater Steakhouses Europe, which is supporting the first ever children's festival in Cumbernauld. The BSIS will back the commitment with £3,000 of taxpayers' money. In five years the Scheme has brought in almost £25m for the arts, £17.23m from business and £7.59m in Government awards.

But a welcome to the recent announcement that arts companies can now qualify for two BSIS awards each year has been quickly tempered by the realisation that the annual limit of aid remains £25,000.

Antony Thorncroft

Wim Vanderkeybus

THE PLACE

Two men in dark shirts, trousers, heavy shoes, walk on to the dance area at The Place and lie down amid thin bars of transverse lighting. A girl sits at a table behind them and scrapes and slaps her hands on the table's amplified surface, the sounds impelling the men to move and thresh about like landed salmon.

Increasingly belligerent in tone, the action changes as other performers appear bearing white plaster blocks, some *the size of bricks, the others* larger. With these they first make stepping stones, balancing laboriously, then start to throw them at each other, or fling them towards the roof, regardless of who may be hurt should someone – anyone – not catch them.

The speed and the perils of the scene increase, and we might expect to hear a nannyish voice declare that "If you don't stop these dangerous games, someone will get hurt".

This is the subtext of *What the Body does not Remember* a stunning example of "physical theatre" which the Belgian choreographer Wim Vanderkeybus brought to The Place at the end of last week. The games all have an edge of nervous tension which seeks to provoke aggression – sexual, physical, emotional – and succeeds.

With the brick-throwing done, the five couples in the wholly admirable cast start walking briskly, and as they pass each other, snatching jackets, and then briskly removing the towels that they have acquired.

It is a scherzo at the heart of the work, separating more brutal and provocative sequences. The towel-game is impeccable in timing and sleight-of-hand – a jacket is swapped for a towel with pick-pocket skill – and is followed by a viciously erotic scene in which the men body-search the women, and are repaid for their intrusive handling by knees to the groin and quick kicks.

Then a man sets himself on a chair, transforms his poses by lying on the ground, and his actions are aped and extended by the rest of the cast, who strike photographable poses, and indulge in mad couplings. (A man takes off a pullover while holding a girl on his hip – no mean feat.) The logic of gravity and daily behaviour is called into question.

Finally come passages of stamping feet just – and only just – missing a recumbent partner, vehement anger in every leap and footfall, and the choice between being crushed or avoiding the pounding foot lying with the hapless victim.

The piece lasts 90 minutes, during which physical harm, physical bravado, physical affronts and invasions of privacy and personality, are displayed in a language of everyday gesture. The dangers we see are metaphors for the dangers we run in the private and communal life of an age increasingly hazardous and unfeeling.

Mr Vanderkeybus and his dazzling ensemble have made from these flaws a memorable and potent work of art, which has a hard-driven and uncompromising accompaniment by Thierry de Mey and Peter Vermeersch, played by the group Maximalist!. The company must return to London soon: it is essential viewing.

Clement Crisp

Felicity Lott

WIGMORE HALL

For her latest London recital Miss Lott was in quite wonderful voice. Just now, indeed, her singing seems to have reached a peak of poise and refinement. Not a note in Thursday's programme of Wolf, Strauss, Liszt, and Poulenc was ill-placed; the lines were all long-breathed; time and again the hall was set glowing by the floated soft phrases (of which there was a glorious abundance) as well as the ample loud ones. Everything *told*, as that this is a *soprano* in her prime, and that her match of artistry and vocal means is of cherishable closeness.

The recital was the latest instalment in the Wigmore's current voyage through all of Wolf's Goethe settings, under Geoffrey Parsons's care. The chosen set of 11 filling the first half were most judiciously balanced; civilised lightness, of which this singer is complete mistress, alongside song-settings of deeper emotional hues. To begin any recital with the "shepherdess" pair of "Die Spröde" and "Die Bekehrte" suggests a confidence about technical matters that was entirely justified. Better still, Miss Lott knows how to colour her words with the lightest of smiles or rueful suggestions; whether in these two songs or in "Philine", the unforced accuracy of her touch was a marvel (and marvellously matched by Mr Parsons's infinitably deft way with Wolf's piano parts, particularly his humorous postludes).

Does she occasionally "coast"? Is the call for dramatic involvement, in songs like "Heiss' mich nicht reden" or "Nur wer die Sehnsucht kennt", ever so delicately shirked? The bottom fifth of this singer's compass lacks something in power and fullness, and where those qualities were specially needed, in (for example) the low-plunging start of "Kennst du das Land", the ardour of Wolf's poetic imagination was slightly cooled. But in context this seemed a small criticism, seeing that it is a very long time since I have heard this most famous of the *Mignon* songs so eloquently shaped as a whole. A singer who *understands how to grade* its three-verse structure is a *rara avis* indeed.

After the interval there was some delicious Strauss, two Liszt songs (the long rising close of "O quand je dors" achieved with beautiful ease), and, best of all, four Poulenc songs, in which the command of French and the combination of cool control and sharp-pointed wit approached the ideal. Miss Lott chose a Poulenc song, "Les Chemins de l'amour", for her first encore, and lavished on it such silvery radiance and elegance of style that I fled the hall immediately afterwards: after that final, perfect *messa di voce* anything else was surely an anticlimax.

Max Loppert

Harvey at 50

RADIO 3

Jonathan Harvey reached his 50th birthday on Wednesday, and among the celebrations of the event was the concert broadcast in Radio 3's "Music in Our Time" series last Thursday evening.

No other British composer has combined electronics and instruments with greater flair and imagination than Harvey, and at the same time no other contemporary composer of his distinction has pursued a personal concept of the spiritual in his music with such persistence.

Catching eternity's sunrise in technology's net has determined the course of his development for almost 20 years now, and while the three works in this birthday programme outlined the ever-increasing musical sophistication of that process, they also served to underline the trend towards ever greater philosophical explicitness that has attended it. *Inner Light I*, the work for instruments and electronics which started both processes in 1973, synthesises tape and live sounds in bold sweeps.

There are inevitable echoes of Stockhausen, but many vividly fresh liaisons of sound and outbursts of compressed soloistic energy; and though subsequent pieces in the *Inner Light* series involve elaborate texts, the first has only the most generalised of philosophical programmes. But by the time of the short amplified cello solo *Curve with Plateaux* (1982) the plan is made far more specific, with each register of the instrument identified with a distinct spiritual state. Though the invention, vividly projected here by Gillian Thoday, seems strong enough to stand alone, the sceptical listener is at a disadvantage.

The new work, receiving its first British performance by the soprano Julie Moffatt and the Redcliffe Ensemble conducted by Edwin Roxburgh, was *From Silence*, commissioned from Harvey by the Music and Cognition Group of Massachusetts Institute of Technology, and first performed there in February.

Its array of hardware – three synthesisers, pre-recorded tape, computer and mixing desk – generates some intricate, dazzling sound complexes, and glittering cocoons and counterpoints for the soprano's sensuous unravelling of a text by the composer himself.

But the seeming disparity between the musical means and the spiritual end remains for me as troubling as it does in other Harvey works; the exceptions, such as the enormously impressive *Bhakti*, achieve a finer balance between philosophical import and musical invention.

Andrew Clements

ARTS GUIDE May 5-11

MUSIC

London

Lutoslawski Festival, for three days at Guildhall School of Music (Tue, Wed, Thur).

BBC Symphony Orchestra, London International Prizewinners Festival, conducted by Matthias Bamert. Rimsky-Korsakov, Bartok, Dvorak. (Tue) Barbican Hall.

Guildhall Symphony Orchestra conducted by Witold Lutoslawski, playing his own work. (Thur) Barbican Hall.

Paris

Shlomo Mintz, violin, Yefim Bronfman, piano. Brahms (Tue). Théâtre des Champs Elysées (47203637).

Orchestre de l'Opéra de Lyon conducted by Kent Nagano: G. Mahler and J.S. Bach orchestrated by Mahler (Wed). Richard Strauss, Mahler (Tue): Chatelet (40282828).

Catherine Collard, piano. Beethoven, Schumann, Schubert, Schoenberg (Wed) Salle Gaveau (45632030).

Ivo Pogorelich. Brahms, Liszt, Chopin. (Wed) Théâtre Des Champs Elysées (47203637).

Orchestre de Paris with Andras Schiff as conductor and pianosoloist, Andre Chapelitch, trumpet. Bach (Wed, Thur). Salle Pleyel (45630796).

Christa Ludwig presents Jean-Luc Chaignaud, baritone recital, Karl Engel, piano (8.30 pm) Peter Schreier, tenor recital, Karl Engel, piano (8.30 pm), both concerts Thur, Chatelet (40282828).

Michel Dalberto, piano (Thur). Théâtre des Champs Elysées (47203637).

Vienna

Ensemble Kontrapunkte and Neues Wiener vocal ensemble, conducted by Peter Keuschnig. Martin, Bischof, Francaix. Musikverein (Mon).

Haydn Sinfonietta, conducted by Manfred Huss. Mozart, Weber, Liszt, Haydn. Musikverein (Wed).

Ensemble Wien. Bach, Rossini, Lanner, Mozart. Musikverein (Thurs).

Schwetzingen Festival

Schwetzingen Rococo Theatre presents a festival from April 29 to June 9 with a mixed programme of opera, chamber music and theatre. The Cologne Opera is represented by two Rossini operas in Michael Hampe's productions. Berlin commemorates the 125th anniversary of Richard Strauss' birthday with *Ariadne auf Naxos*, produced by Erhard Fischer. Other highlights are Lieder recitals by Lucia Popp, Rene Kollo, Eva Lind, Francisco Araiza and Tom Krause. The concerts feature Stuttgart's Radio Orchestra, Virtuosi Saxoniae, conducted by Ludwig Guettler, Württemberg Chamber Orchestra with conductor Jörg Faerber, Camerata Bern. Schlossplatz, 6S3 Schwetzingen (06202/4933).

Florence

Aldo Ciccolini (piano) plays Debussy (Mon).

Francisco Araiza (tenor) accompanied by Jean Lemaire, singing Massenet, Debussy and Fauré (Thur).

Radu Lupu (piano) playing Bach, Mozart, Brahms and Schubert. (Thur). All Teatro Comunale (52nd Maggio Musicale) (2779236).

Rome

Vladimir Spivakov conducts Mozart, with violinist Vladimir Spivakov. Via Della Conciliazione (Mon, Tues) (6541044).

Teatro Olimpico. A recital by pianist Jorge Bolet, playing Debussy and Chopin (Wed) (393304).

Milan

Teatro Alla Scala. Carlo Maria Giulini conducts Schumann's A Minor cello concertowith Mario Brunello and Bruckner's 7th Symphony. (Mon) (80.91.26).

New York

Eugenia Zukerman violin recital with Anthony Newman (piano). J.S. Bach, Handel, Telemann. New York Public Library (Mon).

New York City Symphony conducted by David Eaton with Benai Tanirisever (piano). Bernstein, Bartok, Beethoven. Carnegie Hall (Tue). (247 7800).

New York Philharmonic conducted by Erich Leinsdorf featuring Dvorak, Husa, and Busoni. Avery Fisher Hall (Tue) (874 6770).

Jose Carreras tenor recital. Mixed programme. Carnegie Hall (Wed). (247 7800)

New York Philharmonic conducted by Zubin Mehta with Midori (violin). Dvorak, Hindemith. Avery Fisher Hall. (Thur). (874 6770).

Washington

National Symphony Orchestra conducted by James Conlon. Mahler programme. Kennedy Center Concert Hall (Tue) (254 3776).

National Symphony Orchestra conducted by James Conlon with John Aler (tenor) and Barry Tuckwell (french horn). Shostakovich, Britten, Dvorak. Kennedy Center Concert Hall. (Thur) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti. Schumann, Villa-Lobos, Beethoven. Orchestra Hall (Tue) (435 0012).

Chicago Symphony Orchestra conducted by Sir Georg Solti with Anne-Sophie Mutter (violin). Beethoven programme. Orchestra Hall (Thur) (435 0012).

Tokyo

Takeshi Inomata and Makoto Aruga: Pulsation. Bernstein, Xenakis. Suntory Hall (Mon) (495 5851)

Tokyo Philharmonic Orchestra, Lella Cuberli (soprano), with Giuseppe Morino (tenor), conducted by Bruno Amaducci. Charpentier, Donizetti, Verdi, Rossini, Puccini. Tokyo Bunka Kaikan (Wed) (725 8888).

Etsuko Terada (piano) Chopin. Suntory Hall (Wed) (235 1861)

Brodsky Quartet. Shostakovich, Schubert, Borodin. Kan'i Hoken Hall, Gotanda (Wed); Haydn, Beethoven, Janacek. Parthenon, Tama (Thurs) (371 5101).

NHK Symphony Orchestra, Dietrich Fischer-Dieskau, Julia Varady. conducted by Wolfgang Sawallisch. Brahms: Deutsches Requiem. NHK Hall, Shibuya (Thurs) (465 1781).

FINANCIAL TIMES
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The cost of a journey

THE COSTS of congestion would be on many minds in London this morning even if the city was not threatened by strikes and stoppages on its Underground railway network. As in other large conurbations – Tokyo, New York and Rome are outstanding examples – motorists sit in traffic jams telling themselves that something must be done. In London the road-space seems to those of us who use it to have shrunk over the past few years, while in the south-east of Britain the network of inter-city motorways is insufficiently developed to meet the level of demand generated by a period of rapid economic growth.

The need for further investment in all forms of transport infrastructure is therefore regarded as self-evident; Mr John Major, Chief Secretary to the Treasury, felt obliged in a speech last Friday to highlight the Government's increased expenditure on both road and rail. Yet while public spending in the form of capital works and subsidies may well be a necessary part of the provision of transport services, it is plainly not in itself adequate to meet the mushrooming demand.

Further mechanisms

Two further mechanisms are now under discussion. The first is the opening up of road-building to the private sector. The Transport Secretary, Mr Paul Channon, floated the idea of private roadbuilding at the Conservative Party conference last year. One obstacle that has stood in the way of proceeding with what would presumably become private toll roads has been the so-called "Ryrie rules," under which the Treasury has deducted the value of privately financed projects from departmental budgets. Mr Major has now indicated that these rules will be relaxed. This frees Mr Channon to bring forward plans to put new roadworks out to tender. It is unlikely that he will propose the establishment of a Superhighways plc, but a few moderately ambitious proposals may be expected.

The second possibility has been put forward very gingerly indeed. This is that the price mechanism should be used to ration city-centre road-space. "We are against it if it can be avoided," Mr Channon said last week, "but if it cannot be avoided, then it has to happen." The Transport Secretary's caution is understandable: the Dutch Government broke up in disarray last week over an attempt to increase the taxation of private motoring. It should, however, be possible to overcome the political obstacles to a development that would make economic sense. British motorists pay a tax on their use of petrol, plus a vehicle licence fee. It would be feasible to abolish or reduce the latter in return for a per-journey charge.

Windscreen discs

Such a charge could be calculated on the basis of distance travelled, place of use, or time of use – or all three. It could be tried initially, as an experiment – in a designated area in the very centre of London – by requiring the display of windscreen discs showing that a predetermined fee had been paid. In theory, it could be expanded by means of using electronic detectors that would register every passing car. This technology has been tried in Hong Kong; it was withdrawn on the ground that the police computer would record everyone's journeys and whereabouts. Alternative technology that does not intrude into civil liberties is, however, available in the form of anonymous "smart cards", which could be charged up at prepayment meters; roadside detectors could deduct fees from these and signal to a billing centre only if the cards were empty.

It is not possible to say how this would work in practice, since the elasticity of demand for road-space is uncharted. Existing attempts to ration by means of increasing the charge for time parked beside meters, or through the use of wheel-clamps, do not seem to have deterred large enough numbers of drivers to clear the congestion. The price for the use of a mile of London road at a time of peak demand could theoretically be high. The calculation to be made is whether the costs of congestion at present levels are even higher.

Fudged issues in Canada

Mr BRIAN MULRONEY'S Progressive Conservative Party won a second term in Canada last year on one issue: free trade with the US. Working closely with various business lobby groups, the Conservatives persuaded the electorate that bringing down the remaining barriers with the US would bring lower inflation, wider choice and, above all, jobs to Canada.

Mr Mulroney's Government has done well to reject the economic nationalism which, under Liberal governments, has characterised the country since the early 1970s, to the detriment of the economy and business. In his first term, for instance, the Government's first act was to dismantle the apparatus which restricted inward investment.

In other respects, however, his Government is not typical of 1980s-style conservatives. It has made few attempts to cut Canada's extensive social programmes, nor has it campaigned to reduce the Government's role in the economy. Indeed, Mr Mulroney has repeatedly emphasised that the country's social and regional programmes – "a sacred trust," he called them in 1984 – are safe with him.

Taxation rises

Last week's budget gave little sign that this will be reversed. The policy changes contained in it were skewed towards rises in taxation, rather than spending cuts. New taxes will generate an extra C$3.6bn (£1.79bn) in revenue for 1990 and C$7bn in 1991, while federal spending cuts total C$1.5bn in 1990 and C$2bn in 1991. But this will not be sufficient to prevent the Canadian fiscal deficit rising again for fiscal year 1990 to a projected C$30.5bn, from C$28.9bn in 1989.

The Conservatives have made some progress on the deficit, which has been brought down from 7.4 per cent of gross domestic product in 1985 to 4.8 per cent. But this was assisted by the prevailing winds of the economy, which produced strong growth of revenues.

The Government's political will to make painful spending decisions evaporated in 1985, when its poll ratings began to fall and an attempt to de-index pensions led to a revolt among Canada's senior citizens.

There is little sign in the budget of Ottawa's nerve returning. The burden of the cuts – C$2.7bn over five years – is concentrated on defence, including the cancellation of a fleet of nuclear submarines. This will cause little political outcry, though it will blow a big hole in the high-profile 1987 Defence White Paper. Foreign aid accounts for another C$340m.

Further action

Further action on the deficit will probably be necessary, given the continuing rise in debt servicing costs. Federal debt has continued to rise and the deadweight of interest payments remains the heaviest burden on expenditure.

Canadian business, which faces a rise in sales tax, a new tax on large corporations, and must take up the burden of funding unemployment insurance, will find the budget highly unsatisfactory. Higher taxation makes Canada a more costly place to do business; it thus undercuts some of the benefits which free trade brings.

Free trade was a watershed for Canada. After a century of debating the issues, the country decided that its future could be assured without the trappings of protection.

The deficit, the unacknowledged issue at the last election, faces the country with another decision: does it want to see higher taxes, is it content to allow government debt to grow, or is it prepared to tackle social spending?

The Government, to its discredit, fudged these questions at the election. Mr Mulroney promised that social and regional programmes were safe under the free trade deal, though the definition of subsidies under the agreement has not been determined. He also promised that free trade would bring jobs. But the economic reality is that if there is no cut in social programmes, then taxes will probably have to rise again and that will mean fewer jobs. Mr Mulroney's election promises will come back to haunt him.

Charles Batchelor reports on the growth of the UK's enterprise culture

"NOW is an ideal time to start in business. There's a lot more help. It opens the way for people like me."

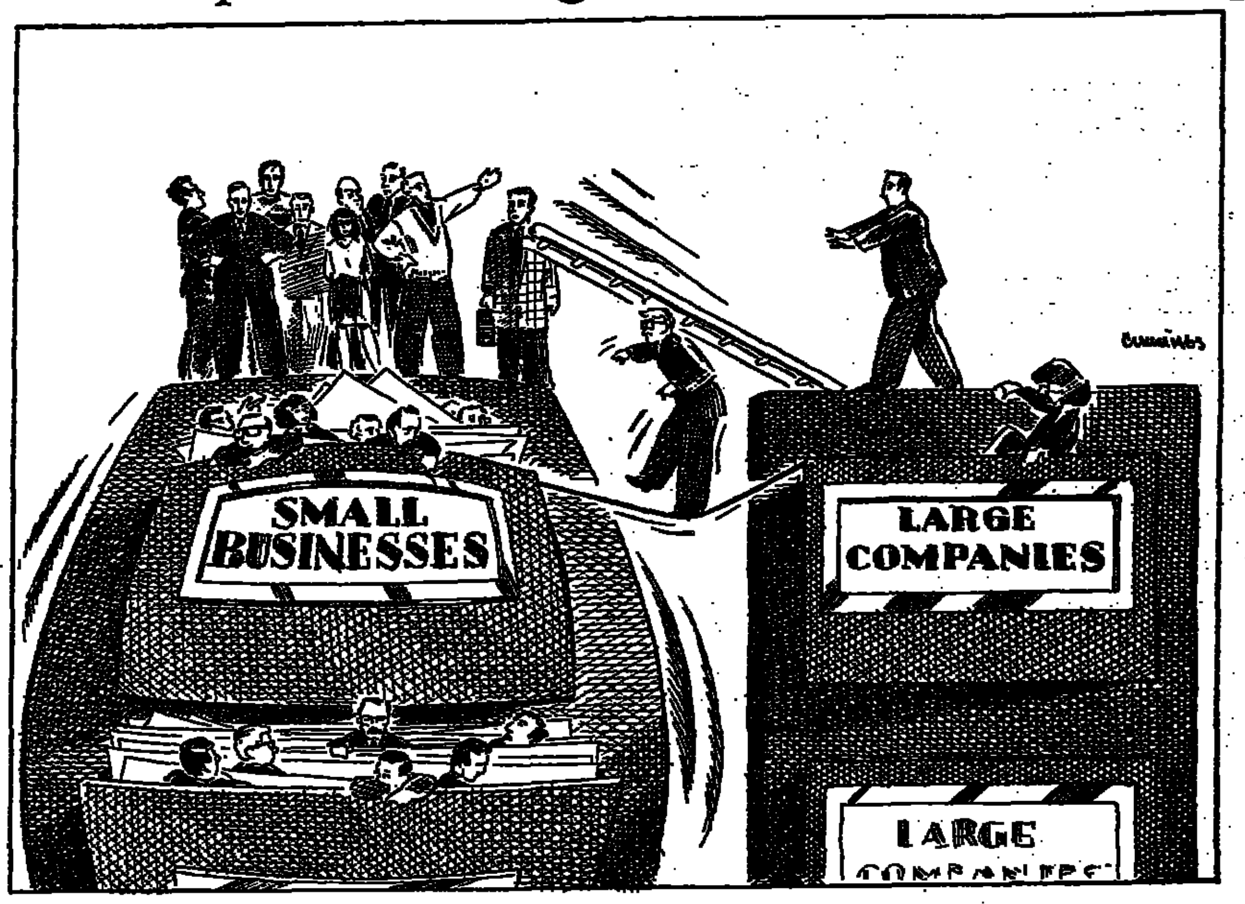
Temporarily unemployed after a series of jobs in the cleaning industry, David Rafferty, 34, went into business on his own. Starting with a contract to clean Edinburgh's telephone kiosks, Superior Cleaning Specialists has grown into a company which, in just less than two years, has a turnover of £1.3m and employs 110 people.

"Ten years ago I don't think I would have thought of doing this. The economic and political climate was very different and the management buyout was in its infancy."

After 25 years of working for others in the publishing industry, David Mortimer, 50, in January became the boss of his own business. He led a management buyout of Macmillan Intek, a provider of training courses employing 25 people and with sales of £1.7m, from Macmillan Publishers.

"I was confident the idea would work but it couldn't be done half-heartedly. I packed in my job and worked on it full time. It was very difficult at first having no income coming in."

Tired of the "blue rinse brigade," Sharon Baxter, 28, gave up hairdressing and started a business that publishes directories of services and products available for home delivery. Her first directory, covering Edgware, north London, produced advertising revenue of more than £4,000, and she is now expanding into other areas.



Big prizes from small packages

These three snapshots of the small business world reveal not only the powerful attraction of running one's own business, but that the dream of independence is being acted on by people from a wide range of backgrounds.

In the immediate post-war years Britain appeared to be moving inexorably to a big business economy. Large companies enjoyed economies of scale, gave greater security to their employees and made life easy for the economic planners.

The 1970s saw the beginning of a more critical attitude to big business as the economy faltered. The outlook for small businesses was gloomy, however; in 1971 the Bolton Committee Report forecast the almost total demise of the small manufacturing firm in Britain unless government policy became more helpful. The report acted as a catalyst for much that has been done since to improve the lot of small business owners.

In 1979 David Birch, a professor at the Massachusetts Institute of Technology, discovered that most jobs in the US were being created by small businesses. Since then interest in the smaller firm has spread around the world. But it has been Britain that has seized most enthusiastically on the small firm – usually defined as employing up to 200 people – as a way of reviving the economy.

The Government has financed programmes such as the Enterprise Allowance Scheme (used by both Mr Rafferty and Miss Baxter) to help the unemployed into business, and the Loan Guarantee Scheme. The private sector has funded enterprise agencies and schemes such as Shell's Livewire project to back young entrepreneurs. The lowering of tax rates, the weakening of the power of the trade unions and the sharp growth in the number of advice networks for small firms have combined to make starting up in business a rewarding option.

Measuring the impact of these incentives is difficult, however. Unlike large corporations, small businesses are difficult to locate. They may be seeking to avoid the tax and social security authorities; they are often too small to be detected by conventional statistical methods. The Government is reluctant to collect more information because, it says, this would involve more red tape.

For this reason statistics on small firms are patchy and frequently out of date. They nevertheless show that small firms play an important part in the economy. In 1976, according to one study, firms employing fewer than 200 people accounted for 96 per cent of all British businesses. These firms provided 35 per cent of all private sector jobs and 20 per cent of business turnover. Small business programmes launched since then have increased these numbers, though by how much is uncertain.

One reliable measure of new firm starts is the number of businesses registered for value-added tax. This has been rising at a record rate of 1,000 a week (after allowing for deregistrations) in recent months, twice the average level recorded throughout the 1980s.

Between 1980 and 1987 the total number of VAT-registered businesses rose by 200,000 to slightly more than 1.5m. The number of self-employed people (less than half of whom register for VAT) rose over the same period from 2m to 2.9m.

Further evidence of the revival of what the Government calls the "enterprise culture" can be found in the sharp increase in the numbers of management buyouts, in the surge of companies obtaining a quotation on the Unlisted Securities Market (USM) and in the expansion of the venture capital industry.

Nowadays big company managers are much more inclined to regard running their own business as an acceptable route to an attractive way of life, says Rob Goffee, lecturer in organisational behaviour at the London Business School. In the 1960s most saw a professional career, accountancy or the law, as more desirable.

Small business folk heroes are emerging. Sophie Mirman, the former Marks and Spencer typist who founded Sock Shop International, Anita Roddick, who challenged the conventions of the cosmetics industry to set up Body Shop, and Bob Payton, the American marketing man who persuaded the British to eat Chicago-style pizzas, have come to epitomise the new breed of entrepreneur.

'Small businesses help discipline the labour force. If they get it wrong they go bust. It is a brutal school'

And yet, 10 years after Mr Birch's American studies set the seal of approval on the small firm, what has been the real contribution of the small business sector to the British economy? It is true that while large companies have been shedding employees small firms have been the only creators of jobs, but are the jobs that small firms provide suitable for those made redundant by big employers? Is running a small business as attractive as working for a large employer?

"Small business is not an economic panacea," warns John Stanworth, director general of the Small Business Research Trust. "Ten years ago the politicians used to think all small firms were engaged in manufacturing; that they employed people; and that they were innovative. Now we know that most do not manufacture; have no employees beyond the owner; and are not very innovative."

One study[1] of manufacturing companies in the north of England showed that out of every 100 companies just four would create half the total of jobs generated by the group over a decade. "In terms of job creation only a few firms matter," says David Storey, director of research at Warwick University Small Business Centre.

What sort of jobs are these companies providing? Left-wing politicians have derided the present Government's small firms policies as creating a nation of hairdressers and nannies. Small companies find it easier to start up in services, because such business requires less capital. But for some this is only the first step. They move on later to making prototypes, small batch manufacture and finally, in some cases, to large-scale production.

"People take an adversarial approach to manufacturing and service jobs," says Graham Bannock, a small firms consultant. "In fact they are complementary. You need both." As more and more services become exportable the distinction between service and manufacturing jobs becomes less important.

One Europe-wide study[2] found that the jobs created by small companies were not ideally suited to people on the dole. Small businesses tend to provide part-time jobs which are less permanent and which offer lower pay than the big industry jobs the unemployed have left. The jobs are unlikely to appeal to the men who dominate the unemployment registers, it concluded.

If redundant large-company workers are unlikely to be attracted to jobs in these small companies they are even less likely to want to set up on their own. BSC Industry, which was set up to revive the economies of regions hit by the closures of steel plants, calculates that only 7 per cent of the companies it backs have been set up by redundant steelworkers.

Not everyone agrees that this mismatch between jobs and job-seekers is important. "Small businesses play a role in economic development in both the developed and the developing world," asserts Mr Bannock. "They help train and discipline the labour force, both managers and employees. If they get it wrong they go bust. It is a brutal school but it works."

Small companies frequently fulfil the role of scavenger in the economy, says Mr Bannock. In the same way as they use second-hand machinery no longer wanted by large companies, they often take on workers who, because of their age or lack of education, could not expect to get a job with a blue-chip employer.

Until the publicity given to "USM millionaires" – business owners who made fortunes by floating their companies on the USM – running a small firm had carried a negative image. It had traditionally been associated with long hours of work and high-stress levels leading to poor health and broken marriages. In fact, says Mr Stanworth, a recent study[3] has shown the opposite to be the case. Small business owners tend to be healthier and to have a lower divorce rate than the population at large.

The contrasting images of small businesses – on the one hand scavengers for the left-overs from larger companies and on the other fast-growing USM stars – results from the wide diversity of the companies classified as small businesses. Alongside the 4 per cent which grow are the 96 per cent which stay small. Most small firms give the owner and handful of employees a decent living while a small number of high flyers will make their mark internationally.

Worryingly, there is little sign that many small businesses continue to expand once they reach medium size, employing between 200 and 500 employees. And once they are big enough to be attractive to bigger corporations, they tend to be swallowed up by takeovers.

So far, larger firms have been happy to provide finance and staff on secondment to the Enterprise Agencies which offer advice to small firms – in part to ease concerns about the jobs they have been shedding. They may be less willing to do so, however, as the labour market tightens in the 1990s and they find themselves competing with small businesses for the same employees.

While small business may not match up to the extravagant claims made by its more enthusiastic supporters, it provides independence for many and has taken an important stake in the economy. The progress it has made in recent years is impressive, but it will almost certainly have a tougher job in future.

[1] *Fast growth business in northern England. David Storey. Small Business Centre, University of Warwick.*

[2] *Small and medium-sized enterprises and employment in the EEC countries. David Storey and Steven Johnson. European Commission.*

[3] *Enterprise in Britain. A national profile of small business owners and the self-employed. James Curran and Roger Burrows. Published by Small Business Research Trust.*

OBSERVER

Heavens vorbild

■ It is becoming increasingly obvious that the German-speaking world is going through something of an image crisis. This doesn't apply, of course, to the Swiss and won't, unless its army decides to introduce a multi-purpose fork. But West Germans and Austrians are doing a lot of navel-gazing these days. Foreigners, of whom M. Thatcher and M. Gorbachev are but two, are equally consumed.

Take, for example, the case of Barclays de Zoete Wedd, the London stockbrokers, which has just produced a chunky booklet, called its equity working list, on the stocks of different countries.

Its cover image of France is a striking aerial photograph of Paris on a glistening summer's day. Spain is graced by a picturesque monastery building, framed by dark trees and a hazy sky. Investors interested in Italian trends and forecasts are lured by a semi-abstract painting by de Chirico.

But West Germany does not get, as it might have expected, a depiction of the fairy tale Bavarian castle at Neuschwanstein, or a street scene of timbered village houses, or a picture by Dürer. Eschewing the evocative, BDZW sums up West Germany in the very plain and simple terms of the stomach – a plateful of salty pretzels, a thick mug of foaming beer and a hefty portion of white Munich sausages, with mustard on the side.

But don't blame the stockbrokers. All they did was borrow the photograph from the Goethe Institute, the guardian of German culture, for once displaying its hearty, non-cerebral side.

Lenin didn't

■ But there is no greater gut issue in Germany than ambivalence to the Soviet Union. The trouble is that Gorbachev has changed perceptions so much that a once easy target has become elusive.

Confusion apparently exists even in the very rational mind of Mr Edzard Reuter, chairman of Daimler-Benz. He has recently been losing his cool over a phrase – the "military industrial complex." Not surprisingly, the words have been bandied about a lot of late in relation to Daimler's probable takeover of MBB, which will give the combined company an enormous chunk of German defence orders.

Mr Reuter first denounced the term as part of the vocabulary of modern left-wing terrorists, whom German industrialists have come to have good reason to fear. But recently he has traced its origins to Lenin from whom, he says, it was picked up by Stalin.

This really won't do. The idea was actually coined by the American sociologist Thorstein Veblen in Imperial Germany and the Industrial Revolution written at the end of the last century. President Eisenhower and later the economist, J. K. Galbraith, gave it the international currency it enjoys today. Not a Russian nor a communist among them.

Marxed down

■ On the other hand, the city of Bonn has belatedly decided to follow a Moscow lead and consign Karl Marx to the dustbin of history. Karl Marx street, until a few weeks ago just off Bonn's main drag, has suddenly become Olof Palme street, in honour of the assassinated Swedish Prime Minister.

The name change is not apparently designed to save President Gorbachev's blushes when he visits Bonn next month. Rather it is the fruit

"Now is the summer of our discontent"

of persistent lobbying by the Federal Ministry for Economic Co-operation and Development, which lives on the street and which has constantly had to explain to its contacts in developing countries that it really is in West not East Germany.

Momping

■ Somewhere in the middle of this interpretative muddle lies West Berlin and therefore Walter Momper, leader of the "red-green" coalition which now governs the city. He was in London last week offering a twist of his own to Gorbachev's now-famous vision of the Common European House.

"Many homes in Berlin," he told an audience at Chatham House "built to the city's traditional architectural design, have what we call a 'Berlin room.' This is a room with doors leading off it to all the other rooms. We would like our city to have such a function in the European house . . ."

Right on top

■ But if the West German image is getting a bit blurred the current Austrian one, gratis Waldheim, needs a bit of burnishing. But that will not be the popular interpretation if, as is entirely possible, Mr Joerg Haider, the 39-year-old charismatic and populist leader of the far-right-wing opposition Freedom Party is today elected governor of the southern province of Carinthia.

Inside Austria, the political interest lies in the possibility that 40 years of socialist rule of Carinthia will come to an end. Mr Haider's party can't do that on its own, but it might in collaboration with the conservative People's Party, otherwise known as "the blacks." Though currently a junior coalition partner with the socialists, the desire of the blacks to end socialist fiefdom seems strong, enough, perhaps, for them to swallow their reservations about the ambitious Mr Haider, whose party is often unashamedly anti-semitic and nationalist.

But he, too, is quickly trying to change this image. As a first-class orator, he combines sympathy for the "small man" with unparallelled vitriol against the system. A favourite target is the ubiquitous "beamte" or bureaucracy, whose size, incidentally is the same as it was during the last days of the Hapsburg Empire.

Transylvania

■ Which brings the wheel full circle to an old imperial joke. Several years ago Otto von Hapsburg (Of That Ilk) found himself chatting to a young British Euro MP. The latter asked if von Hapsburg had watched the previous night's Austria-Hungary soccer game on the television. "No," came the reply, "who were we playing?"

Jurek Martin

Julian Ozanne looks at a country demoralised by war, internal division and political mismanagement

The creeping paralysis of Sudan

In recent days, Africa's biggest state has been given another chance to resolve its six-year-old civil war and pull itself back from the brink of self-destruction.

If the ruling politicians can defy recent history and muster the political will to react favourably to last week's offer of a unilateral one-month ceasefire made by Mr John Garang, leader of the rebel Sudan People's Liberation Army (SPLA), there may be hope yet for Sudan.

If accepted, the ceasefire would also give new life to the flagging UN stockpiling of food supplies in the south before the rains due later this month. Should this fail, a repeat of last year's tragedy – when 250,000 people died of starvation as a result of the civil war – seems inevitable.

Much depends on a change of heart in Khartoum and on the peace talks. Unfortunately, past experience offers little hope for a country demoralised by war, internal division, and mismanagement.

Sudan is unable to service its $12bn (£7.3bn) external debt. Unwieldy incompetent state-owned corporations are a drain on scarce resources. The infrastructure is crumbling. Ports and railways run at less than 20 per cent capacity, buses and trucks grind to a halt for lack of spare parts and roads are left to deteriorate. The fragile political system lurches from one crisis to another, seemingly paralysed by bickering and factional squabbles.

Many of the country's problems are deeply rooted. Administering a poor country of 2.5m sq km, 11 times the size of Britain, is no easy feat. The task is made more difficult by the nation's debilitating racial and religious divisions – largely, but not exclusively, between an Arab Moslem north and an African Christian south.

"Allowing a democratic system to continue in Sudan with the problems of underdevelopment, external interference and internal division is an uphill struggle," said Mr Sadiq el Mahdi, the Prime Minister, in an interview earlier this year.

The last political crisis was instructive. On February 20, the ill-equipped army, following a series of humiliating defeats by the rebel SPLA, issued a one-week ultimatum. Exasperated with civilian misrule and the apparent unwillingness of the Government to negotiate peace, the army demanded acceptance of a peace initiative agreed last year, a balanced foreign policy, a broadening of the ruling coalition and material support for the army.

After five weeks of compromises, Mr el Mahdi formed a new coalition Government, his fourth in less than three years, and began making *conciliatory overtures to the rebels*. But critics believe the Government will continue to be plagued by internal divisions and be unable either to resolve the war or to face up to Sudan's other problems.

This is a pattern of politics which has repeated itself regularly through Sudan's post-independence history, but it has become more pronounced since 1986 under Mr el Mahdi.

One reason for the lack of meaningful action in Khartoum is the weak coalition parliamentary system which was produced by the general election in 1986. No party won an overall majority although the Prime Minister's Umma party emerged as the narrow winner with 99 seats in the 301-member house. The second largest party, the pro-Egyptian Democratic Unionists (DUP) won 63 seats.

There is also a more deep-rooted problem – the political parties themselves. With the exception of the fundamentalist National Islamic Front, they are nothing more than family groupings backed by regional and religious groups. Neither the Umma party, based on the Ansar religious sect, nor the DUP, which draws its support from the Khatmiya sect, have any coherent political ideology, or any national support on which to build a government. Both parties and their followers have been at each others' throats for more than a century.

Such a vacuous and amorphous political system places a high political premium on strong, courageous leadership, especially in times of crisis. Last week's ceasefire offer will once again test the Prime Minister, who has shown very few signs of strong leadership in the last three years.

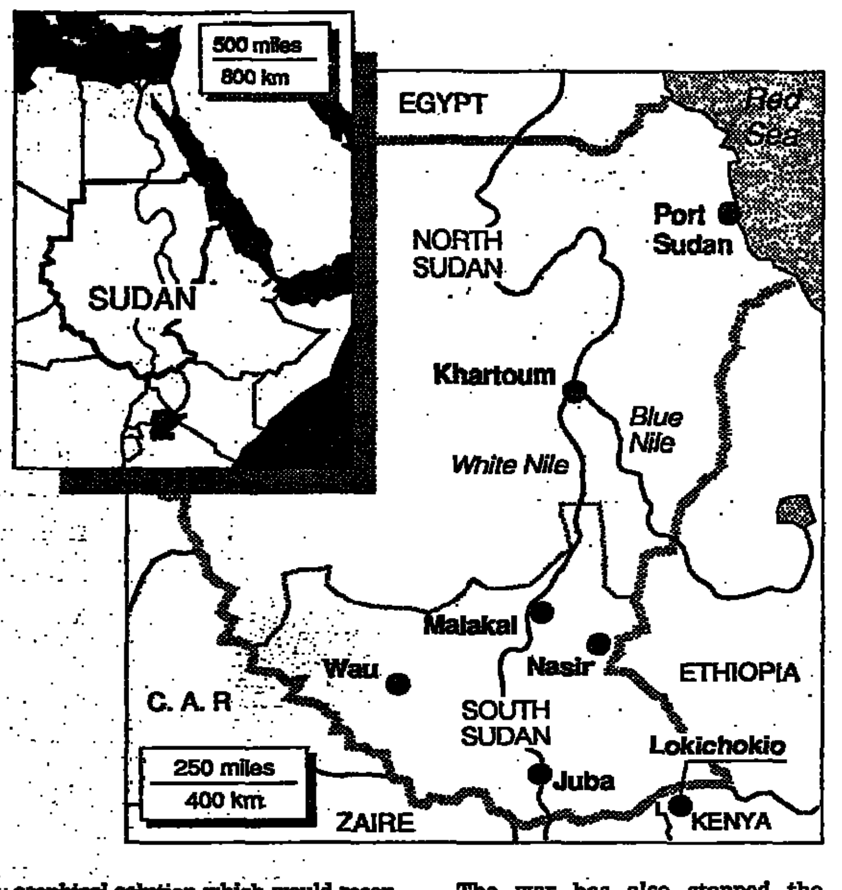
There are two explanations for Mr el Mahdi's inability to face up to the nation's tragedy.

The uncharitable view is that he is preoccupied with holding on to power at any cost; he is swayed by tribal and religious prejudices and, despite a veneer of modern western political attitudes, is privately a Moslem fundamentalist bent on building an Islamic state in the north and obliterating the Christian south.

The charitable view is that he has spent three years pursuing an impossible national consensus on the issue of Islamisation of Sudan.

It was the introduction of the notorious Islamic "September Laws" by the former dictator, General Jaafar Nimeiri, in 1983 which restarted the civil war in the south after 11 years of peace. Mr el Mahdi was jailed for opposing the introduction of this code of Moslem law (*Shari'a*) and continued to speak out against it after the overthrow of Nimeiri in 1985.

Once installed as Prime Minister, however, Mr el Mahdi's views became more ambiguous. It is debatable whether his promise to abrogate *Shari'a* was ever genuine and it rapidly became apparent that he would face political suicide with his Ansar followers if he even considered doing so. Instead, he began to talk of a philosophical solution which would reconcile the demands for *Shari'a* with the large non-Moslem population.



Few Sudanese believe such a compromise exists outside the mind of the Oxford-educated Premier. Moslem academics opposed to *Shari'a* say Islam does not recognise equality between believers and unbelievers, and southerners fighting the civil war are unwilling to accept any deal which includes even partial *Shari'a*.

Whether one accepts the charitable or uncharitable view of the Prime Minister, the fact is that for the last three years his administration has ducked the major problems facing the country: peace and the economy.

In the 1970s Sudan, a fertile agricultural nation, was being cultivated as a possible breadbasket to provide the Arab world with most of its wheat, sugar, vegetable oils, feedstuffs and meat. But in the last three years the country has been unable to feed itself and has become dependent on emergency relief supplies.

An unrealistic exchange rate, a sophisticated black market and the inability to service external debts have forced the formal economy to a near standstill. Even if Sudan had the political will to service its debts it would be hard-pressed to do so. The World Bank estimates its debt service ratio at 110 per cent of exports.

The war has also stopped the exploitation of Sudan's most valuable natural resources – oil, water, land and forestry, *most of which lie in the* south. Two projects vital to economic revival have also been shelved: exploitation of oil finds in the south and completion of the Jonglei canal, *designed to tap the Nile for irrigation.*

Western donors who provide half of recurrent expenditure are becoming impatient. The Dutch publicly linked a $40m cut in aid this year to lack of progress towards peace. The British are slowing down their assistance and both the US and Canada have recently threatened to cut aid.

There is also growing alarm amongst Sudan's neighbours and in the Arab world. The recent bombing by a Mig 21 of the the Kenyan town of Lokichokio, on the Sudanese border, *is a sign that Sudan's instability is* spilling over into the region. Although there is no concrete proof that the bombing was the work of Sudan, it is the only country in possession of Mig 21s (provided to the Sudanese air force by Libya) and makes regular bombing raids against rebel targets in the area.

Clearly, the conflicts in the Horn of Africa are interlinked. Ethiopia provides assistance and bases to the SPLA. Sudan, for its part, allows the Eritrean and Tigrayan rebels to use Port Sudan.

On the international front, Sudan's ties with Libya and Iran are being watched with great anxiety in the Arab world, particularly by Egypt, Jordan and Saudi Arabia.

Egypt, under pressure from its own Islamic militants, is especially nervous about an unstable Islamic state on its border, especially given Cairo's dependence on the waters of the Nile. Close Sudanese ties with Libya raise the spectre of hostile encirclement to the west and south. Egypt is a key player in the internal affairs of Sudan, having widespread support in both the army and the DUP.

To many outsiders the way out of the mess seems obvious: negotiate peace with the rebels along the lines of the 1972 agreement which ended the country's previous civil war by giving the south regional *autonomy* and equality of development. Only with such an agreement can economic reconstruction get under way.

But even if Mr el Mahdi can react positively to the latest ceasefire offer and convene a national constitutional conference to negotiate peace there is no certainty that it will bear fruit.

Shari'a will dominate proceedings. *The SPLA will continue to insist on* its abrogation – politically impossible for Mr el-Mahdi, as head of the Ansar and descendant of the legendary Mahdi who disrupted Anglo-Egyptian rule in 1885. *Tribal antagonisms* in the south would also be high on the agenda.

Many southerners fear a settlement which delivers too much power to the SPLA, dominated by the large Dinka tribe – because of antagonism from other tribal groups. And if the rebels continue to threaten the few garrison towns left in government hands, the temptation to push for complete secession will grow.

Given the complex and deep-rooted nature of the obstacles to a peace settlement it is very difficult for Mr el Mahdi to respond to the recent overtures from Mr Garang.

However, a response might come from the army, exasperated by the Government's inaction. Three times in Sudan's post-independence history the army has taken power when their patience with political bickering reached boiling point. Might it intervene once again?

Given the scale of the problems and the soldiers' preference for a democratic civilian system, senior officers are reluctant to move. But given international and regional attention, given the recent fall of several government garrisons to the SPLA and the increasing strain on the economy, the army will be watching very closely to see how *Mr el Mahdi deals* with the ceasefire offer. The consequences of further prevarication could be disastrous.

LOMBARD

'Imbalances' are in the mind

By Samuel Brittan

IT IS ONLY par for the course that in the days following the publication of the New York Federal Reserve's annual report, containing a warning about the severity of the US currency payments deficit, the world's central bankers should indeed be facing a dollar problem. But the problem is one of strength, not of weakness: specifically, to prevent the dollar rising above the DM 1.90 level that is popularly supposed to be near the top of the Group of Seven's reference range for the US currency.

Of course there will be phases of dollar weakness to come. But consider the history of the last decade. *The rise of* the dollar in the first half of the 1980s carried on longer and went to dizzier heights than anyone looking at the widen*ing US trade gap and its only* modest relative inflation performance ever supposed. When the dollar at last started to fall in spring 1985, the US Treasury *rightly or wrongly feared that* the process was about to stall and inaugurated the Plaza Accord to push the US currency down further. There was roughly *one year* – 1987 – when excessive dollar weakness concerned G7 authorities. Since then the problem has again been that of successive bouts of dollar strength.

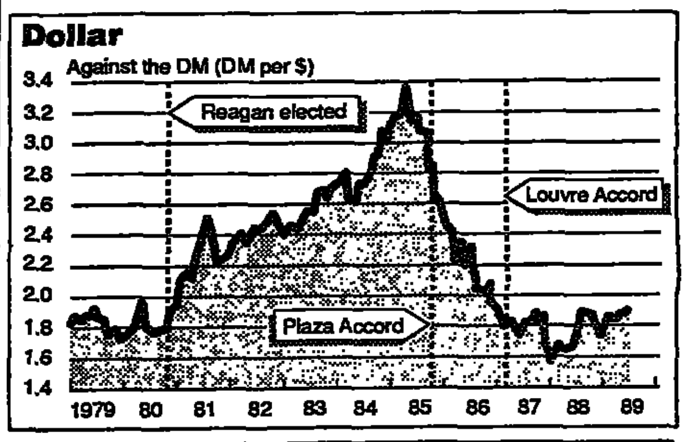
The well-known orthodox analysis has been restated by Gerald Corrigan, president of the New York Fed. The export-import, spending-production and savings-investment gaps (all amounting to much the same under national income accounting) are the gravest problems *facing* the US and global economies.

The elimination of the US budget deficit is a necessary but not sufficient condition for a cure. One other condition is a fall in the external surpluses of Japan, Germany and some of the newly industrialising countries. A third condition, at which official bodies can only hint, but which outside economists like Martin Feldstein can shout from the house-tops, is a substantial depreciation of the dollar.

The problem for the unbeliever is to spot in which of the possible weaknesses in the orthodox structure the vulnerability lies.

The dollar bulls do not have the same comprehensive body of analysis on which to draw as the bears. So they have to grasp at straws, like the falling dollar price of gold, the behaviour of a strange new entity called the "world dollar base", or the estimates of purchasing power parity by Prof Ronald McKinnon of Stanford suggesting a DM 2 and Yen 150 dollar – estimates which look much less weird than when they first appeared.

In this sea of uncertainty one should fall back on genuine fundamentals. These are that net investment flows between countries are normal and that consequently there is no reason why the current balance of payments should be anywhere near zero. Countries with savings surpluses perform a service in keeping down world real interest rates. *The true imbalances are in the* minds of mainstream analysts – who may have to answer to the tribunal of history for their part, however unintended, in *lending credibility to the forces* of US protection and anti-Japanese hysteria.



LETTERS

Professorial pay

From Professor William Brown.

Sir, Government ministers reported to be concerned about professorial pay in Cambridge (April 29) *are mistaken* in believing that selective salary rises will meet our problem of recruitment and retention. The true cause is that the UK aca*demic salary structure as a* whole is absurdly low.

Many current Cambridge professors have, like myself, been willing to take salary cuts on moving from chairs in other universities, because of the academic quality of the staff and students and the consequential benefits for our research. But to sustain good research we must recruit and retain the talented young people with whom one can work.

The tragedy is that, for them, the UK university system now offers derisory salaries and mostly short-term appointments. It is the loss of *their abilities, overseas or* away from our profession, that makes the professoriate give serious thought to following their example.

Nowadays there is little point, even in Cambridge, in trying to persuade the brightest undergraduates to contemplate an academic career, so poor are the salary and job opportunities. The long-term consequences of this for research, for education and for the education of our educators, can only be extremely serious.

William Brown,
Faculty of Economics and Politics,
University of Cambridge

Concern for UK dock workers

From Mr Bill Morris.

Sir, Your report (May 5) on consideration by port employers of the TGWU (Transport and General Workers Union) *ballot of our dock* worker members is in error in saying that the latest issue of our principal journal "contains three pages on the union's official policy on the dock labour scheme."

The current T&G Record carries two substantial reports on the docks dispute. While these inevitably mention the dock labour scheme and the disgraceful working conditions which it replaced, it is made consistently clear that what is at issue in our trade dispute with the port employers is the protection of job security and working conditions for dockers when the scheme is abolished.

I have said elsewhere (and *suspect I must explain again*) that there is little prospect of persuading the Government not to scrap the scheme. The TGWU is demanding that the port employers (who campaigned for the scheme's abolition) negotiate with us to establish national conditions that are no less favourable than the current provisions in the industry.

That is why we have held negotiations with the National Association of Port Employers. We regret that these were not successful and have urged the employers to join with us in using Acas (the Advisory, Conciliation and Arbitration Service) to resolve our dispute.

Bill Morris,
Deputy General Secretary,
TGWU, Transport House,
Smith Square, SW1

Unsuited to universities . . .

From Mr John Gillard Watson.

Sir, While I hope that Oxford dons will reject the proposal for "merit payments" to some professors (will there be a brain drain of those who do not receive *such payments?*), this is much less important than the UK Government's intention that universities should settle the current dispute locally.

It is, of course, consistent with the Government's policy to destroy unity among all the groups it has to deal with. So far local deals have been openly offered in three universities. Only one has been accepted – and that was in the very early days of the dispute, when it looked as if it preceded *a general settlement.*

"Plant bargaining" is wholly unsuited to universities, and must be rejected as conclusively as it was rejected by the Post Office just *before Christmas.*

John Gillard Watson,
11 Beaumont Buildings,
Oxford.

Illegal parking in London

From Mr P.J. Bull.

Sir, The *suggestion* by the chairman of the London Boroughs Association (Letters, April 17) that enforcement for illegal parking be transferred *to local authorities* is a recipe for disaster.

Local authorities cannot even keep our streets clean and in good repair; their servants are often *the* cause of traffic hold ups – and what bully-boy offender will take much notice of a local authority employee?

Bias would creep in from *local* interest groups and money from fines would be filtered into items like road improvements, which should be financed separately. We *should* soon be back to *the* present mess.

Enforcing the law is the job of the police – if necessary a separate traffic police as in some countries. They *should* have the authority and the money to do the job effectively.

P.J. Bull,
38 Radnor Walk, SW3

Single market need not mean single economy

From Mr Patrick Robertson.

Sir, Edward Mortimer's article, "Liberalism versus Nationalism" (April 25) deserves a response from the Bruges Group.

For the purposes of clarity, one could say that the world is divided up into units, commonly called nations or countries. When there are common interests between units, they pool their resources and co-operate more closely. When there is no common interest, they do not.

The 1992 programme is an example of how countries have agreed together to give up certain state powers – in this case to impose restrictions on the free movement of goods, capital, people and services. The idea is that the European countries will get richer if they adopt a truly free market and compete more effectively with each other and the rest of the world. Nationalism appears nowhere in this equation.

The present tensions in the European Community arise from two key problems. One is that Euro-federalists have seized upon the *idea of the single market* and have converted it (in their own minds) into a single *economy*. For them, a single European currency is simply the tool for political centralisation of power.

The second truth is that many Europeans are sceptical about the reality of a free market, despite their adoption of the 1992 programme. Hence all the proposed obstructions to a free market: worker participation, *"anti-dumping" measures* and the incubus of a European Social Charter.

Liberals exist happily in nation-states. They complain, however, when governments want too much power, but they rejoice when, as in Britain, governments "roll back the frontiers of the state." Liberals get very suspicious when people equate federalism with the centralisation of power, because they know that federalism *means the exact opposite.*

In other words, nations exist to safeguard the interest of individuals, but there is often something wrong with the power-greedy state institutions that are thrown up within them.

As a politician who believes in the reduction of *state* powers, Mrs Thatcher is quite right to object to measures that are not in the interests of the *nation* she represents. In the context of the EC, it is a gross mistake to equate anti-socialism with anti-European attitudes.

Patrick Robertson,
Secretary, The Bruges Group,
85-87 Jermyn Street, SW1

Parking in the market

From Mr Michael Dalgleish.

Sir, Traffic congestion in London could be solved by a parking market determined by *market forces.*

Meters could be provided on each block, starting at (say) 10 pence an hour, incrementing along the block to £50 an hour. The motorist would drive along until the (clearly marked) meter exceeded his demand threshold.

Each floor of a car park could attract a higher parking charge, with the market value of spaces on an indicator board outside.

This would maximise revenue to the authority. In sum: 10 times the revenue boost of wheel clamping, without the inconvenience.

Michael Dalgleish,
Golden River Traffic,
Bicester, Oxfordshire

FINANCIAL TIMES
Monday May 8 1989

Janet Bush on Wall Street

Daiwa finds gold on the reservations

ON A CLEAR, snowy, early spring morning in northern New Mexico, the Taos Pueblo, home of many families of American Indians and the oldest inhabited building in the US, seems thankfully remote.

Yet here, as everywhere else, are gaggles of Japanese visitors, fascinated to learn about the culture of these original inhabitants of the continent.

Their presence should not be surprising, not just because the Japanese now spend more than anyone else on travelling. There is also a certain kinship because the Red Indians are believed to be of Asian Mongoloid origin and to have migrated to the American continent across the Bering Strait.

That sense of ancient ties is undoubtedly one reason behind the formation of a special American Indian Project by Daiwa Securities America, the US subsidiary of the world's second largest securities house.

Its aims are threefold. Daiwa, which is Japanese for great harmony, is offering to manage the excess funds of the Indian nations, identify potential partners in joint ventures and arrange financing for the nations' business projects.

This last has become an attractive and feasible area since an amendment to the Indian Finance Act, passed in the last session of Congress, now makes it possible for the US Government to guarantee tribally-issued bonds.

Daiwa, which lobbied vigorously for the amendment, is already working with the Chickasaw nation to create and market a government-backed bond issue which would provide funds to purchase the Arbuckle Wilderness, a 485-acre wild animal reserve which is Oklahoma's most popular tourist attraction.

Daiwa is the first foreign financial institution in the US to have seen an opportunity in providing a service to the Indian nations, although other regional banks and brokerages have worked with the nations on an individual basis.

It is certainly the first Wall Street company to have made a broad offer to act as partner and financial advisor to the Indian nations in their economic development.

The seeds of the special project were sown when Daiwa hired Mr Charles Entwhistle three years ago. Mr Entwhistle had previously worked for a regional brokerage and had been interested for some years in the American Indian nations.

He took Mr Takuro Isoda, chairman of Daiwa Securities America, to the Navajo Economic Summit in July 1987, and he became similarly convinced that there were substantial opportunities to do business.

Mr Entwhistle acknowledges an awareness within Daiwa that working with the Indian nations is likely to be regarded as a socially acceptable form of investment by politicians increasingly strident in their criticism of what they see as the Japanese business takeover of America.

However, this is by no means the most important motivation. That is establishing a business niche in the US securities business and making money. "We are looking for good businesses – this is not a social welfare programme," says Mr Entwhistle.

"What Daiwa is doing is lifting the nature of the Indian nations' dealings from the small business, local level potentially to the level of the global capital markets."

The Indian nations own enormous tracts of land – the Navajo own 16m acres – with rich natural resources such as coal, oil, timber and, according to one participant at Daiwa's conference, about three-quarters of the entire stock of US uranium.

Mr Entwhistle notes that many of their products, such as wood and citrus, are imported by Japan, opening up possibilities for joint ventures.

The nations offer some attractive features for those wanting to do business with them. They are, in many respects, treated as sovereign nations within the US and are not subject to the same regulations, taxation or laws as the rest of the continent.

They are self-governing, enjoy certain tax breaks and decide what state taxes to impose on corporations wishing to locate within their land.

Mr Entwhistle believes that the Japanese and the American Indians share a desire to forge long-term, conservative business relationships and that there is an enormous opportunity for both in the resources that the nations have to offer and the need to put the enormous Japanese savings mountain to work.

SYRIANS AND CHRISTIANS IN EAST-WEST ARTILLERY DUEL

Rival leaders call for Beirut truce

By Lara Marlowe in West Beirut

THE rival prime ministers of Lebanon both called on the Arab League yesterday to salvage a new truce from the ceasefire which broke down on Saturday night in a fierce artillery duel across Beirut.

Fighting continued yesterday when Syrian troops fired Grad missiles out of West Beirut towards the area of General Michel Aoun's headquarters at the presidential palace at Baabda. Minutes later, shells from Lebanese army artillery began to explode in West Beirut as Gen Aoun's forces tried to hit the mobile launchers from which the missiles had been fired.

Dr Selim el-Hoss, the acting Prime Minister of the mostly Moslem cabinet that is in conflict with Gen Aoun's Government in East Beirut, telephoned Chedli Klibi, the secretary general of the Arab League in Tunis, to plead for an immediate deployment of the 312-man Arab League ceasefire observer force to Beirut.

Brigadier General Ali Momen, the Kuwaiti officer who is to command the Arab League force, was in Tunis yesterday for consultations with Mr Klibi.

For his part, Gen Aoun contacted Ahmed Abdul-Aziz Al-Jassem, the Kuwaiti ambassador to Syria who is a senior member of the league's Lebanon committee, to complain that the Syrians were responsible for violating the truce.

The weekend shelling, which killed at least 15 people and wounded 80, was the worst since the ceasefire was declared by the Arab League in Tunis on April 28. Estimates of the number of shells and rockets fired ranged as high as 15,000.

Although the bombardments appear to have been initiated by the Syrians, casualties were higher in West Beirut than in the Christian East. Thirteen of the dead were on the Moslem side of the Green Line that divides Beirut, one of them a woman eight months pregnant who was killed in the Mar Elias Palestinian camp.

Residents of East Beirut have undergone almost constant artillery harassment by the Syrians since the ceasefire was declared and are still accustomed to living in shelters. But West Beirut had enjoyed a reprieve after Gen Aoun's promise to Arab League officials last week that he would not return fire, its population was therefore unprepared for the sudden bombardment of the area.

Gen Aoun met the British, American and French ambassadors late on Saturday to tell them that he could no longer refrain from firing back. The ambassadors live in the low hills around East Beirut, near the Lebanese defence ministry at Yarze and the presidential palace at Baabda, both of which were damaged in the Saturday night shelling.

In West Beirut, fears are growing that the Syrians will continue their bombardment in order to prevent the Arab League force from coming.

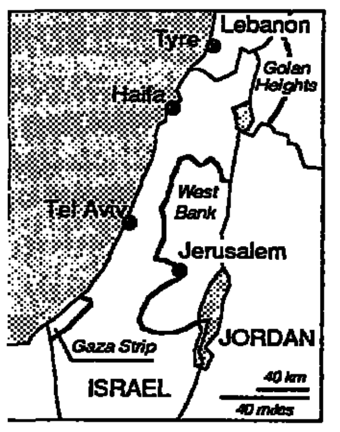
In the days following the ceasefire announcement, the Syrians and their allies continued sporadic shelling of the Christian enclave under the pretext that Gen Aoun had not lifted his embargo on illegal ports. But after that embargo was formally lifted on May 2, the Syrians said they were firing at the East Beirut coastline to stop Gen Aoun's forces receiving arms and weapons from Iraq.

Many residents of West Beirut now believe that the Syrians will not relent until Gen Aoun is driven out of office.

Israelis consider plan for West Bank polls

By Hugh Carnegy in Jerusalem

ISRAEL'S coalition government yesterday edged closer to agreeing a plan for elections in the occupied Arab territories as a further spasm of weekend violence underlined the authorities' failure to subdue the Palestinian uprising after nearly 18 months of incessant unrest.



Much of the Gaza Strip and large areas of the West Bank were under curfew yesterday after three Palestinians were killed and nearly 150 wounded by Israeli troops in Gaza on Saturday, one of the worst days since the intifada began in December 1987.

In Jerusalem, the four top coalition figures – Prime Minister Yitzhak Shamir and Foreign Minister Moshe Arens from the right-wing Likud bloc and Mr Shimon Peres and Mr Yitzhak Rabin, the Labour Finance and Defence Ministers – met to hammer out their differences on an election plan aimed at ending the uprising.

Mr Arens said later remaining differences were mainly over phrasing and he expected a detailed draft proposal soon "to satisfy everybody".

Mr Shamir's move to reach agreement with Labour has attracted fierce criticism from Likud's right wing, which sees elections in the territories as a concession that will inevitably lead to a Palestinian state.

Mr Ariel Sharon, the Trade and Industry Minister, and a leading figure on the right, said at the weekend the election plan was "the biggest ever national blunder."

Mr Shamir has clearly calculated that he can face down dissent on his right but Mr Sharon has considerable influence in Likud and will ensure a stormy passage for the election plan. The main part of the plan foresees elections to elect Palestinian representatives to negotiate and then administer a five-year interim autonomy plan and to begin negotiations within three years on a final settlement. What this final settlement might be is being left vague, to accommodate differences between Likud and Labour and to try to entice Palestinian participation.

The Palestine Liberation Organisation and its supporters in the territories are demanding a commitment to eventual full Palestinian independence before elections are held. Mr Shamir and the more hardline Labourites led by Mr Rabin rule out a Palestinian state in the West Bank and Gaza. Bridging this gulf is the main task for the US and other parties trying to help get an election process under way.

The persistence of the unrest, in the face of tough action by the army, and heavy international pressure, especially from the US, last month led a reluctant Mr Shamir to commit himself to a four-point peace plan including elections.

But the realisation that only a political breakthrough will end the unrest, and anxiety over diplomatic advances made internationally by the PLO, has bound together Mr Shamir and the Labour leadership, particularly Mr Rabin, at least for time being.

The latest fighting highlighted the extent to which the intifada has become entrenched in the occupied territories. Far from running out of steam, unrest during the last month produced some of the highest casualty figures.

UK Labour Party prepares to change policy on disarmament

By Philip Stephens, Political Editor, in London

THE leadership of Britain's opposition Labour Party is preparing to break with its commitment to unilateral nuclear disarmament at the end of a two-year policy review, which it hopes will underpin its challenge to the ruling Conservative Government in the next general election.

A two-day special meeting of the party's policy-forming National Executive Committee (NEC) which starts today will also endorse a new economic and tax strategy, proposals for constitutional reforms, and a more "moderate" stance on trade union rights.

Mr Roy Hattersley, deputy leader, said yesterday the policies, coming just after the party's strong victory over the Conservatives in the Vale of Glamorgan by-election in Wales, would signal a "momentous" week in British politics. He joined other Labour leaders in rejecting weekend overtures from the centrist Social Democrat Party (SDP) for an anti-government pact.

The suggestion by Dr David Owen, SDP leader, that he would be prepared to serve in a Labour coalition provoked unease in his party, with several prominent members questioning the wisdom of his remarks.

There were also clear indications, however, that Labour's shift on defence will provoke sharp differences in the executive and will face severe internal opposition in the run-up to the party's annual conference in the autumn, where the National Executive's polices need to be endorsed.

At the same time publication of the defence and other review documents – scheduled after a final "rubber-stamping" meeting of the NEC next week – will signal the start of a Conservative counter-offensive.

The new defence policy commits a Labour government to the goal of a non-nuclear defence policy and to no first use of such weapons. But it indicates that the Polaris submarine-launched missile system and its replacement, Trident, would be "negotiated away" in East-West arms talks rather than scrapped unilaterally.

To the dismay of left-wing MPs, the document sets no time limit for such a move, or for the removal of US nuclear bases from Britain. Mr Neil Kinnock, Labour leader, indicated at the weekend that he hoped all nuclear weapons could be destroyed by the year 2000 but his aides emphasised that this was an aspiration rather than a firm timetable.

Several members of the 29-strong executive are expected to push for the inclusion of a timescale at tomorrow's discussion on the defence document.

Mr Ron Todd, leader of the Transport and General Workers Union (TGWU) and a member of the defence policy review group, is also expected to disassociate himself from the conclusions.

Labour Party spokesmen, however, were voicing confidence yesterday that the policy would be accepted first by the NEC and then at the party conference, even if the TGWU remained opposed.

Some of his aides believe that such a struggle would convince the electorate that Mr Kinnock had broken decisively with the unilateralist policy which is judged to have cost him considerable support in the 1987 election.

Alongside the defence document, the special NEC is due to endorse a total of six other policy documents setting out Labour policy on a variety of issues.

Britain's oil output may hit 10-year low

Continued from Page 1

Even should repairs on Cormorant Alpha be finished by the end of the month, however, shutdowns of platforms in June for maintenance would continue to cut heavily into output.

Assuming the Brent system is operating at full volume next month, UK production is expected to rise to only 1.7m b/d.

Following a concentration of scheduled shutdowns in June, which is attractive both because of calm weather and for tax reasons, oil production is expected to recover gradually until reaching 2.4m b/d in September.

Mr Cecil Parkinson, UK Energy Secretary, said recently that a four- to six-week shutdown of the Brent system, along with other North Sea accidents, would add about £800m to Britain's current account deficit.

● A West German oil company has announced plans to invest some $250m in joint petrochemical projects in Venezuela, AP reports from Caracas.

The president of Veba Oel, Mr Hubert Heneka, made the announcement on Saturday following a meeting with Venezuelan Energy and Mines Minister Mr Celestino Armas, according to the Venezuelan daily El Universal.

The initial stage of the project would involve the creation of a joint venture with Pequiven, the petrochemical branch of the Venezuelan-owned Petroleos de Venezuela (PDVSA), to conduct studies of local demand for propylene and polypropylene, according to Mr Heneka.

Iranian death call angers Palestinians

Continued from Page 1

relations with Iran.

Officials in London indicated yesterday that France, which still has diplomats in Tehran but no ambassador, might be asked to consider downgrading its representation there. But France, anxious to avoid exacerbating the considerable existing strain in its relations with Iran is thought unlikely to agree to do so.

For the West, the latest episode serves as further confirmation of the fresh tide of radicalism that has been flowing through Iran's revolutionary politics since Ayatollah Ruhollah Khomeini called in February for the execution of Mr Salman Rushdie, the British author.

With even pragmatic figures like Mr Rafsanjani joining in the attack, European countries have all but given up the hopes they entertained last year for an Iranian opening to the West, which bore fruit in a strong improvement in Iran's relations with Britain, France, Canada and New Zealand.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	16	61	Malta	S	24	75	Rhodes	S	20	68
Algiers	S	25	77	Edinburgh	S	19	66	Manchester	S	17	63	Rio de J'o	C	32	90
Amsterdam	C	11	52	Faro	C	18	64	Manila	C	34	93	Rome	S	19	66
Athens	S	21	70	Florence	S	21	70	Melbourne	C	15	59	Salzburg	F	14	57
Bahrain	S	37	99	Frankfurt	S	13	55	Mexico City	R	26	79	San Francisco	F	13	55
Bangkok	C	34	93	Funchal	S	20	68	Miami	F	28	83	Seoul	S	24	75
Barcelona	S	22	72	Geneva	S	16	61	Milan	S	19	66	Singapore	F	31	88
Beirut	C	22	72	Gibraltar	F	20	68	Montreal	C	11	52	Stockholm	S	15	59
Belfast	S	17	63	Glasgow	S	17	63	Moscow	C	16	61	Strasbourg	S	15	59
Belgrade	F	11	52	Guernsey	S	12	54	Munich	S	12	54	Sydney	F	20	68
Berlin	F	13	55	Helsinki	F	13	55	Nairobi	F	26	79	Taipei	F	29	84
Biarritz	S	18	64	H. Kong	S	28	82	Naples	S	20	68	Tangier	C	20	68
Bombay	S	37	99	Innsbruck	S	13	55	Nassau	C	29	84	Tel Aviv	F	23	73
Bordeaux	S	22	72	Inverness	S	17	63	New Delhi	S	35	95	Tenerife	C	22	72
Brussels	S	12	54	Islamabad	F	32	90	New York	F	11	52	Tokyo	R	11	52
Budapest	F	12	54	Istanbul	C	16	61	Nice	S	19	66	Toronto	C	6	41
B. Aires	F	16	61	Jakarta	-	-	-	Nicosia	S	21	70	Tunis	S	26	79
Cairo	S	25	77	Jersey	S	14	57	Oporto	S	21	70	Valencia	S	29	84
Cape Town	F	20	68	Jo'burg	F	20	68	Oslo	F	14	57	Venice	S	17	63
Caracas	C	28	82	Lima	F	23	73	Paris	S	14	57	Vienna	R	11	52
Casablanca	C	19	66	Lisbon	C	20	68	Peking	S	22	72	Warsaw	R	9	48
Chicago	F	1	34	London	S	16	61	Prague	F	11	52	Washington	S	8	46
Cologne	C	11	52	Los Angeles	C	15	59	Reykjavik	F	4	39	Zurich	S	13	55
Copenhagen	F	13	55	Luxembourg	S	11	52								
Corfu	F	18	64	Madrid	S	28	82								
Dallas	F	14	57	Majorca	S	25	77								
Dublin	S	17	63	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

WHO faces PLO crisis

Continued from Page 1

it has no government in charge of a territory with recognised boundaries and a permanent population. The 12 states of the European Community took a similar legal stand in a joint note to Dr Nakajima.

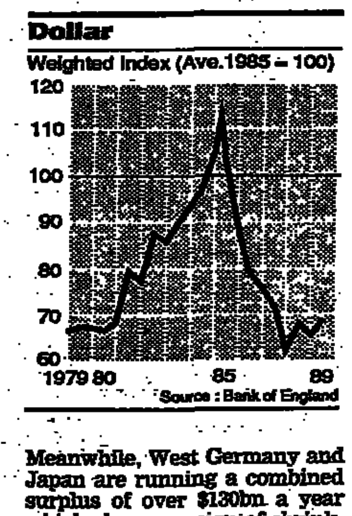
The Palestinians say that their application to the organisation is only the first step in a campaign to win full recognition from UN agencies. They claim that their state has been recognised by more than 90 countries and Western diplomats acknowledge that, if the issue goes to a vote, the PLO could probably secure the simple majority it needs among the organisation's 166 members.

Diplomatic efforts last week concentrated on avoiding a vote. The US provides 25 per cent of the organisation's regular two-year budget, which is put at $654m for 1990 and 1991. Washington contributes a much smaller share of the voluntary funding for special programmes, for which the organisation is seeking $700m in 1990 and 1991, but it has strongly supported the AIDS campaign.

THE LEX COLUMN

Sorting out the dollar puzzle

With many of the world's financial centres on holiday for much of last week, and unexpectedly weak US employment figures for April, the central banks were just about able to keep the lid on the dollar. However, this week could see the dollar challenge their resolve. And even if not, the currency's persistent strength in the face of growing evidence that the six year old US economic recovery may be nearing its end is turning out to be one of the big financial puzzles of 1989.



On previous occasions over the last year, dollar strength has coincided with either rising US interest rates or a perceptible improvement in the monthly trade figures. At the moment, there is no sign of either; and indeed the shorter end of the US bond market is already discounting an easing in monetary policy. If the US economy really is slowing, there is less need to raise interest rates; but this sort of thinking does not seem to be worrying the foreign exchanges at the moment.

So far this year the dollar has risen by over 5 per cent – more than it did in all of last year – and primarily at the expense of the currencies of the world's two biggest surplus countries, Japan and West Germany. Admittedly, the economic signals coming out of the US are still mixed: Last week's National Association of Purchasing Management survey gave a far more upbeat picture of the economy entering the second quarter than last Friday's employment figures. Commodity prices remain buoyant, and the Dow Jones Transportation average hit an all-time high little more than a week ago. Meanwhile, this week's US inflation figures are unlikely to give the Federal Reserve any excuse to loosen its grip.

However, the interest rate differentials between the US and its main trading partners have narrowed on both a one month and one year basis. Whereas a year ago, 3-month Eurodollar rates were more than twice as high as EuroDms, short-term Eurodollars are now commanding a rate premium of only 50 per cent. In terms of the underlying economic fundamentals, which are supposed to determine exchange rate movements over the long term, there seems little justification for the reduction in the relative risk premium attached to holding US assets.

The US current account deficit is running at around $10bn a month, and the IMF has forecast an increase to around $13bn a month next year. Meanwhile, West Germany and Japan are running a combined surplus of over $130bn a year which shows no sign of shrinking, and their forecast inflation rates are between half and a quarter of those in the US.

In terms of economic fundamentals it is hard to argue a case for further dollar appreciation. Admittedly, the political problems in Japan and West Germany are having an impact, and the dollar's improved performance has encouraged investors to switch more of their assets into the currency. The general improvement in confidence tends to be self-fulfilling, in that the inflow of money makes it easier to finance the chronic US balance of payments deficit.

But the key question for the markets is whether the authorities will defend the DM1.90 and Yen 135 levels, or whether they are resigned to merely smoothing the dollar's upward climb. West Germany has already used up a sizeable chunk of its reserves defending its currency; and the danger now is that, along with Japan, it will have to push its interest rates still higher. The risks of this happening would more than offset any benefits of a further sharp rise in the dollar.

Satellite TV

Many unusually needy companies, from Next to Dixons to Amstrad to Bond Corporation, are praying for the success of satellite TV; but so far, the news from the sky is pretty dark. Not only is Sky TV drawing in a tiny fraction of the audience promised to advertisers, but market researchers have apparently discovered that people are actually becoming *less* interested in buying the dishes. With the average electrical shop lucky to sell more than one dish a week, satellite is miles away from the big product that will fill the gap left by video recorders. The background, it might seem, could not be worse for British Satellite Broadcasting to raise a further £400m or so this autumn.

However, everybody is remaining surprisingly cool, for the excellent reason that it is still early days. No one was expecting the launch to be an instant success anyway, so the overall impact of the slow start may be limited. Mr Murdoch himself has plenty of staying power, and is used to relaunches; and even though he has plenty of other calls on his funds, he is not likely to walk away from a commitment which may involve £150m this year alone. Meanwhile, Amstrad need not worry unduly: while it may fall perhaps 25 per cent short of its dish target this year, the effect on turnover will be less than 1 per cent, and on profits negligible.

The impact on BSB may also seem small, as a perfectly plausible excuse can be put forward for the slow start. First the launch missed the Christmas season, then there were not enough dishes in the shops, then the programmes themselves got less than rapturous reviews. On top of it all, base rates of 13 per cent probably put off some wavering subscribers. BSB will doubtless argue that Sky has got it wrong, not that the UK does not like satellite.

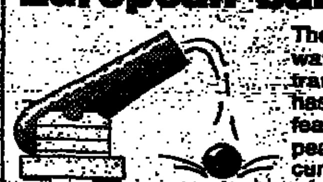
However, even if investors accept that, the conservative fund manager is unlikely to respond favourably to a project whose only precedent is unpromising, and which requires the whole nation to change its viewing habits on the basis of programmes which have yet to be made. Neither will the prospect of a negative cash flow for three years bring them in, nor the notion of a possible profit after five years if one in four households subscribe by then.

Perhaps for that reason, BSB itself seems to be reconsidering even asking the London equity market for so much money, and is now wondering whether to get debt finance instead. Regardless of whether a public flotation is possible, debt might seem the preferable option anyway. Evidently existing investors - who have already put up over £350m to cover the launch – believe in the scheme. Having invested so much at the riskiest stage they may not wish to be diluted by new equity holders brought in later at sweetened prices. Getting the banks in - at what will doubtless be pretty rewarding interest rates - will add to the risks further, but then if the orginal investors are frightened of a bit of risk, they have no business backing satellite TV in the first place.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday May 8 1989

INSIDE

Phoney war in European banking



The prospect of a wave of hostile trans-border bids has been striking fear into some European bankers. But current activity in the sector has the appearance of a phoney war, with serious hostilities yet to break out. Guy de Jonquières argues in the Business Column that, while scope exists for cross-border expansion, it seems most likely to be found by carefully exploiting niches. Page 40

French seek consistency over bad debt provisions

The French Banking Commission has asked Banque Française du Commerce Exterieur, the state-controlled foreign trade bank, to increase sharply its bad debt provisions on its FFr6bn ($945m) foreign loan portfolio. The bank regulatory authority wants BFCE to bring its level of provisions on its foreign country exposure more in line with the much higher rate of provisions of other leading French banking groups. Paul Betts reports. Page 23

Discord at Audio Fidelity

An extraordinary succession of dramas has been played out since the start of the year at Audio Fidelity, a UK sound equipment and consumer products company. They include the dismissal of the chairman, the resignation of the finance director, a slide into losses and much more. But the company has also announced it is successfully marketing a new electronic gadget which could transform its fortunes. John Thornhill reports. Page 20

Setting the trend

Union leaders have approved a landmark four-year wage contract with Bethlehem Steel, of the US, which makes good the deep cuts in pay taken by the company's workforce during the five-year steel crisis and is likely to set a pattern for the rest of the industry. Page 23

Murky affair that sends a tremor through Australia

Chris Sherwell on the aftermath of two fringe finance houses' failure

LIKE THAT sinking feeling a speeding drink-driver suffers when flashing police lights show in his rear mirror, a severe bout of anxiety ought now to be gripping a clutch of Australian businessmen as a result of the collapse of two fringe finance houses.

The failure of the Perth-based Rothwells group last October and of the Sydney-based Spedley group last month has exposed *dubious business practices* on a scale previously only imagined. But it is not only the two groups' movers and shakers who are under fire. Non-executive directors and auditors are too. So, to a lesser extent, are the country's regulators, even though they helped expose the mess.

The grimy details of the Rothwells debacle were spelled out for the first time last week in an official report by the National Companies and Securities Commission (NCSC), Australia's stock market regulator. Though sanitised in order not to undermine any legal action, it showed clearly how Rothwells' troubles actually pre-dated the October 1987 crash and subsequent abortive rescue attempts.

The Spedley group's difficulties go back at least as far as the crash, and on the basis of the NCSC's investigations so far, suggest a similar affliction of suspect practices: poorly documented transactions made for questionable purposes, shuffling of funds within a complex corporate empire, manipulation of accounts around balance dates. The result has been that auditors, bankers, shareholders and regulators have been misled.

That there are links between the fortunes and failures of the two finance houses is undisputed. The NCSC's investigations into Rothwells turned up several different transactions with Spedley. Mr Laurie Connell, the driving force of Rothwells, and Mr Brian Yuill, the key figure behind Spedley, have been friends and business associates since the late 1960s.

Although the personal futures of these two men are still to be determined, the disarray their activities have left has already thrown up some clear lessons.

One, for example, concerns the tightness of regulations covering the acquisition and maintenance of a dealer's licence.

Rothwells became a "merchant bank" through Mr Connell's *acquisition of a Brisbane menswear store*. Because it had a 15-year record of unbroken dividends and shareholders' capital of more than A$2.5bn ($2bn) it could gain "trustee status" in Western Australia – which meant it could take deposits from government bodies and charities.

Mr Connell then used key Queensland connections to get a dealer's licence and build a deposit base, and similarly high-level Western Australian connections to win big business and enhanced status. From there it was a small step to the extraordinary lending practices which gave him his reputation as "Last Resort Laurie".

By the time of the post-crash run on Rothwells in October 1987 that prompted the first rescue attempt, the NCSC had discovered enough about Rothwells' practices to insist on Mr Connell stepping down and the removal of its dealer's licence. But having ordered changes, the commission's vigilance appeared temporarily to lapse, and Rothwells continued to slide into disaster.

That there are links between the fortunes and failures of the two houses is undisputed

Spedley's early rise is less well documented than its fall, but it is already begging similar questions. Mr Yuill started the group through Spedley Securities in 1977, then broadened it into the Spedley Holdings financial services group. In 1984, when he expanded his empire by creating Greater Pacific Investments (GPI), Spedley got still bigger, acquiring 100 per cent of First Federation Discount, an authorised Australian money market dealer.

By 1987, Spedley was part of a very complex chain of companies, and Mr Yuill one of Australia's numerous entrepreneurs riding the bull market. Yet the crash did not bring close regulatory, banking or public scrutiny of his various company accounts until the Rothwells fiasco pointed in that direction. And it is only in the past few weeks that the scale of the disaster has become apparent, spreading as far as ANI, the engineering group with a potential *exposure to Spedley of* A$260m.

That the NCSC has achieved as much as it has in these two affairs is remarkable. For the truth is, it lacks sufficient financial resources and skilled staff to do its job. Greatly disliked by the business sector, it has become a *political football*, kicked around between a federal government which wants to change it and state governments which want to keep their own local corporate affairs commissions.

Laurie Connell

Another harsh truth to emerge from these episodes is that, where executive directors are determined enough, others in Australia have shown themselves prepared to go along with their wishes. The result is that, wittingly or unwittingly, they could stand accused of having failed to *discharge their duties to exercise* due care and diligence and of becoming implicated in dubious practices.

This is painfully obvious in the Rothwells affair. And in the Spedley case, serious questions are being asked about the precise role of certain ANI directors who sat on Spedley group boards. One of Mr Yuill's men, as detailed in an NCSC affidavit, has implicated them in the accounting manipulations designed to save it. They categorically deny the accusation.

Similar questions are being raised about other directors on the boards of Yuill group companies – with denials also coming fast and furious – and at auditors who signed off the various accounts.

But only one man faces criminal charges – a former company secretary at Rothwells – although three others involved in the costly rescue attempts have been charged with misusing their position.

It is generally agreed that both Mr Connell and Mr Yuill have lost their reputations. But the damage goes deeper, beyond depositors and shareholders of the various companies embroiled in the Rothwells and Spedley sagas. It stretches to the reputation of Australian businessmen generally – a reputation previously clouded by the Poseidon nickel boom, the Nugan Hand banking scandal and some spectacular tax evasion schemes.

Of these *implications*, most Australian businessmen and politicians remain only dully aware. To them, after all, the Rothwells and Spedley affairs seem more like local difficulties.

Yet public cynicism about business has undoubtedly been reinforced by these scandals, and should any more lie out there, the cynicism will grow further.

The shortage of dollars and the role of the Fed

By Anthony Harris
in Washington

ONE OF the soundest rules for financial market reporters is this: Never believe a dealer's explanation for a price move, because he doesn't know. The rule, unfortunately, makes their job a bit more difficult, so it is widely ignored.

There are exceptions, of course; I can remember two really honest answers to requests for such explanations – both, as it happens, explaining a rise in the dollar.

One came from a dealer who said: "Because I had a lot of bids, and had to shake out some offers." The other, which you may have read before, was: "My reason tells me the dollar is too high, but my books tells me it is going up."

The dealers who were being quoted at length last week could have made good use of these examples; but only a rare few can resist giving what sounds like a learned answer to an inquiring journalist.

By Thursday, *there was a consensus*: the market was waiting for the employment figures, and the dollar would rise strongly if the figures were strong. That, of course, would mean that the Fed would be stuck with high interest rates.

On Friday, as you know, the employment figures were unexpectedly weak, and for a time the dealers were convinced by their own reasoning. They marked the dollar down. Before long, though, they were wrong-footed by a flood of buying orders, and as soon as they had finished adjusting their books they adjusted their explanations.

There were three schools of thought. One held that the weak employment growth meant less inflation; but the Fed would be slow to respond to this and, meanwhile, US interest rates would look even more attractive. Dollar up.

Another noticed that although the employment growth was weak, the figures for hours and hourly pay were not. This, they explained, meant that the Fed could not respond to weakening activity, so investors could rely on high rates for some time to come.

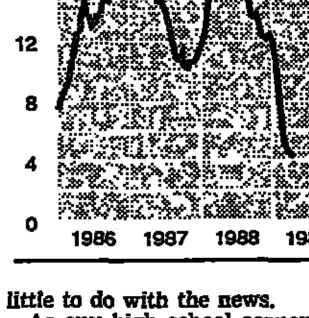
This line meant ignoring a warning from Ms Janet Norwood, the commissioner in charge of the figures, that the April pay jump was an oddity in an otherwise weak trend, possibly due to a problem with seasonal adjustment. Dealers in search of explanations don't read the small print.

One dealer, at least, was not prepared to eat his day-old words, and decided that the bounce in the dollar had nothing to do with the news. The market, he explained, had lost all touch with reality, and was simply engaged in a virility contest with the central banks.

If this is true, the market is also out of touch with reality with its own profit and loss account. The central banks have recently been making enormous profits on their currency interventions – and since they are the only licensed insider traders, so they should. The next German tax cut may well be financed mainly out of the losses made by currency traders.

All the same, there may well be a core of truth in this explanation; for it does seem that the strength of the dollar has very little to do with the news.

World dollar base
% change year on year



As any high school economics student could tell you, a rising price means that demand is trying to outrun supply. What needs explaining is not the strength of the dollar, but the dollar shortage.

Since on the face of it the US current account deficit is supplying extra dollars at a rate of more than $10bn a month, and the central banks are adding to that supply by way of intervention, the idea of a shortage looks a little far-fetched; but in some sense it clearly exists, and it is by no means impossible to explain.

A Bank of England official once told me that when the Bank was trying to forecast the supply of and demand for credit, as a basis for its monetary policy, the economists always started by projecting the errors and omissions. "We seem to be able to forecast it much better than anything else," he explained.

The same rule should be *applied to the US current* account. The merchandise account is based on customs clearances. It is difficult to capture things like progress payment on US aircraft to be delivered some months hence, and almost impossible to say how far US imports of capital equipment are on behalf of foreign (mainly Japanese) direct investors, who buy equipment from their normal suppliers and pay for them at home in the usual way. The equipment is then shipped to the US and counted as it arrives, but no dollar payments are involved.

The rest of the current account – what we British rightly call the invisibles – is a still worse accounting mess. Apart from gross reporting errors, there is no way to make allowance for things like interest due to foreign deposits which in fact represent flight capital, whose owners would not dream of repatriating their capital.

Equally, the large expenditure by tourist shoppers and the fact that American tourists now shop much less go largely unrecorded.

Some of these errors will be *captured in other financial* accounts, and form part of the celebrated black hole in the international statistics – the fact that recorded accounts tend to add up to a large world deficit with itself, which can reach $100bn in some years. Some seem likely to escape all efforts at book-keeping, even the errors and omissions.

The current account, in short, is a very poor guide to the growth of the international dollar supply; and it is even worse when it comes to demand. Here the dealers do talk some sense. The fact that the main surplus countries have weak governments – or, in Korea, strikes and riots – is not a financial statistic, but it can move a lot of money.

If these explanations are true, then William of Ockham could have told you several centuries ago that you need pay no attention to the suggestive chart which appears here.

This shows another kind of dollar shortage. It measures the growth of the world dollar base – the US monetary base plus foreign official dollar holdings. This is the monetary base on which Mr John Mueller, a Washington consultant, bases his forecasts.

It seems to put statistical flesh on the proposal by Professor Robert McKinnon that the Fed should be running a world monetary policy, not a domestic one.

This is also an old skeleton in my own cupboard, and I am delighted that Mr Mueller seems *to have made it dance*; but until he has explained it to me at length, I will leave his chart to make its own case.

Economics Notebook

Treasury ready for tough fight

IT IS early days yet. But the Treasury is bracing itself for difficult negotiations between the end of this month and November over next year's public expenditure plans.

The economic and political climate for fixing spending in 1990-91 and setting the outline for the two following financial years has become harsher.

Mr Nigel Lawson, the Chancellor, cannot count on a repeat of special factors such as sharply falling unemployment or unexpectedly buoyant council house sales which enabled him last November to *keep his planning total for the* present 1989-90 financial year at £167.1bn. That was unchanged from earlier plans, and yet the Government was able to announce increased spending on health, roads and law and order.

This year's prolonged inflationary "blip" is one threat. It is eroding the real value of the cash totals agreed for spending plans last November and will force a higher than anticipated uprating of index-linked social security benefits next April.

Markers are already being put down by major spending ministries in advance of their annual tussle with the Treasury.

Although no formal bids have been made, Mr Kenneth Clarke, the Health Secretary, is said to be seeking big increases for the health service on top of its planned £24.4bn budget for 1990-91. Mr Douglas Hurd, the Home Secretary, has indicated that he wants "substantial" increases for the police and the prisons – a claim that will be reinforced by last week's troubles at Risley remand centre.

The Transport Department will publish a new road programme soon. Despite last Friday's Treasury announcement opening the way for privately-financed roads, it is almost certain that public sector finance will be required for most of the eight-lane highways and other improvements envisaged.

Following the Government's *defeat* in the Vale of Glamorgan by-election, it would be unusual if back-bench pressure for increased spending did not grow as the present parliament moves towards the next general election in either 1991 or 1992.

Adding to the complexities this year will be a change in the definition of the Government's planning total to exclude expenditure which local authorities finance or determine themselves. The change will make the 1990-91 planning total appear smaller than the £179.4bn agreed by the cabinet last autumn but should not in itself affect overall central and local government spending. However, some ministers may see it as an opportunity to slip in higher bids for extra cash.

In these circumstances, Mr John Major, the Chief Secretary to the Treasury, will have his hands full keeping predators away from the Government's *current £14bn budget* surplus.

But the Treasury's defences should not be underestimated.

So long as inflation is not under control, it can argue that greatly increased government *spending* would only boost demand.

It has some money to play with. The £179.4bn planning total agreed for 1990-91 includes a £7bn contingency reserve. This exists to be raided in times of need and if previous practice is followed could be halved to £3.5bn next November.

The nature of the public expenditure round itself also can play to the Treasury's advantage.

The Treasury may appear outnumbered in the negotiations with spending ministries but only it knows all the cards in play. A skilful chief secretary can therefore ensure that the spending ministries do not gang up on him.

In the past two years, Mr Major has shown himself to be exceptionally skilled by completing the round without resort to arbitration by the Star Chamber committee of senior ministers, which stands ready to arbitrate between the Treasury and spending departments late in the spending round.

Perhaps the biggest problem for the Treasury this year is Mr Major's past success. He has made himself a natural candidate for promotion in the cabinet reshuffle that is widely expected later this year. If he goes before November, the Treasury would be without its star player in an awkward year.

Delors Enquiries

After something of a lull, Parliament is beginning to show an interest in the Delors committee report on steps towards economic and monetary union in Europe. The influential Treasury and Civil Service Committee of the House of Commons is currently arranging dates to hear evidence from witnesses.

Despite, or perhaps because of, the Prime Minister's robust rejection of monetary union, Downing Street is also keeping up with the subject. Last week, Number 10 denied rumours that Professor Brian Griffiths, the head of Mrs Thatcher's policy unit, would be touring European capitals ahead of the next EC leaders' summit in Madrid at the end of June. But at least one continental central bank is expecting him to visit for high-level talks on monetary issues around the end of this month.

Peter Norman

THIS WEEK

THE RELEASE of US producer prices data on Friday stands out from an uneven sprinkling of economic indicators this week as the one most likely to affect markets and possibly policymakers.

After two large rises in US factory-gate prices in January and February, the market's concern about an upward trend in US inflation received something of a reprieve in March. But inflation fears have again been reawakened by a number of recent, *if equivocal, indicators* suggesting the pace of activity in the US remains robust.

The producer prices index will be scrutinised for any sign that buoyant activity is feeding through to prices. If it is, analysts expect pressure on the US Federal Reserve, the US central bank, for a tightening in monetary policy to intensify.

The consensus of analysts' expectations, as compiled by MMS International, the eco*nomic data service, is for a 0.7* per cent rise in April following a gain of 0.4 per cent in March.

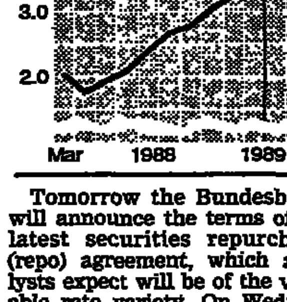
Today's release of UK producer prices data will also be studied for any sign that rising labour costs are pushing up manufacturers' final prices.

The MMS consensus of forecasts suggests the market is expecting a 0.5 per cent rise in output prices and a 0.9 per cent gain in input prices. Final UK retail sales for March are expected to be unchanged.

On Thursday, US retail sales data for April are published. Analysts expect some recovery from March's 0.1 per cent fall; car sales were up in April and it is thought that consumer spending recoved somewhat in the month. MMS said analysts expect US retail sales in April to have risen by 1 per cent after a rise of 0.1 in March.

Mr Karl Otto Pöhl, president of the Bundesbank, is likely to be pressed by his fellow central bank governors, meeting today and tomorrow in Basle, over the Bundesbank's recent decision to raise its discount and Lombard rates.

US producer prices
Annual percentage change



Tomorrow the Bundesbank will announce the terms of its latest securities repurchase (repo) agreement, which analysts expect will be of the variable rate variety. On Wednesday DM14bn ($7.48bn) of funds are due for redemption.

Mr Michel Camdessus, managing director of the International Monetary Fund, will attend the Group of 10 governors' meeting today. Discussions are expected to cover Third World debt.

Today: Central bank governors from the Group of 10 leading industrialised countries meet for their monthly meeting in Basle. UK final retail sales (March). UK producer prices and credit business. The committee stage of the UK Finance Bill's passage through the Commons starts.

Tomorrow: Central bank governors from the European Community meet in Basle. US Treasury auctions $9.75bn of three-year notes. Bundesbank announces terms for securities repurchase agreement.

Wednesday: US Treasury auctions $9.5bn of 10-year notes. Bundesbank repo for up to DM14bn of expiring liquidity.

Thursday: US retail sales for April. US monetary aggregates *for March. US Treasury auc*tions $9.5bn of 30-year bonds.

Friday: US inventories for March. Japanese customs cleared trade figures for April.

WPP believed to have raised offer for Ogilvy

By John Ridding

WPP, the advertising and marketing services company which is attempting to negotiate an agreed bid for Ogilvy Group, owner of the world's fifth largest advertising group, is believed to have increased its offer from $45 to $50 per share.

The original proposal, made in a letter sent to the Ogilvy Group at the end of last month, was firmly rejected by Mr Ken Roman, chairman of the US company. But heavy buying by arbitrageurs sent Ogilvy shares up to $49¾ at the end of last week, compared with a level of $32 before the proposal was made public. The new proposal would value the company at over $800m compared with the initial value of around $720m.

Representatives from Ogilvy were unavailable for comment on whether the informal offer had been increased, but a spokesman had earlier denied reports that Wasserstein Perella, WPP's Wall Street advisers, had held discussions with Shearson Lehman, which is acting for Ogilvy. He added that there were no plans to hold a board meeting before the next regular monthly session on May 16.

Analysts said it was probable that the increased offer would be on similar terms to the original proposal. This involved some two-thirds of the funds being raised through debt while the balance would come from an issue of convertible preference shares. Last week shares in WPP fell by 80p to 604p on the prospect of a new share issue.

Should a bid be agreed, the combined company would have gross billings to clients of around $13.5bn, roughly the size of UK-based Saatchi & Saatchi, the world's largest advertising group.

It would also represent the second large US acquisition by WPP since 1987 when the company, which is headed by Mr Martin Sorrell, a former Saatchi director, paid $566m for JWT Group.

The prospect of a deal between WPP and Ogilvy has drawn a mixed response from Ogilvy's clients. Two of its leaders, Seagram and Owens-Corning Fiberglas, have indicated concern at a possible deal and Mr Edgar Bronfman, who will soon be president of Seagram, has said he will review the account if the bid succeeds.

● WPP has acquired United Public Relations, based in Australia, through its Hill & Knowlton public relations subsidiary. The operations of United will be combined with those of Hill & Knowlton's Melbourne office. No purchase price was disclosed, but it is understood to be below A$1m (£470,000).

Panel ruling on Minorco expected early tomorrow

By Kenneth Gooding, *Mining Correspondent*

THE TAKEOVER Panel today will put the finishing touches to its ruling about the impasse in Britain's longest-running and largest takeover bid, the £3.5bn offer by Minorco, the South African-controlled investment company, for Consolidated Gold Fields, the UK diversified mining group.

The Panel will publish its decision out of market trading hours and the most likely time is early tomorrow morning.

At a six-hour meeting on Friday the full Panel considered Gold Fields' refusal to admit defeat even though Minorco claims to own or have acceptances for about 55 per cent of the target company's shares.

Gold Fields says the offer was conditional on the removal on an injunction by a New York court which forbids Minorco buying any more Gold Fields' shares.

But that injunction remains in place.

The Panel on Friday also heard from Newmont Mining, the US gold producer, in which Gold Fields has a 49 per cent stake and which is a party to the New York action. The very few details which emerged from the Panel meeting suggest that the questioning of Newmont took up a substantial part of the time.

Cia Media plans autumn float on USM

By John Ridding

CIA Media Communications, a supplier of specialist services in the advertising market, yesterday announced plans for a USM flotation in the autumn.

The company, which assists clients in the planning and placing of advertising campaigns, is expecting to be valued in the region of £10m. Profits in 1988 were £861,600 on sales of £68m.

Mr Chris Ingram, chairman, said: "We feel the company has reached the right size and stage in its development. A public quotation will enable more flexible financing for future expansion."

Shareholders await the right translation

John Thornhill on the turmoil at Audio Fidelity and its hopes for the future

SHAREHOLDERS in Audio Fidelity, the UK sound equipment and consumer products company, could be forgiven for being astounded by the recent turn of events in their company.

Since the beginning of the year they have seen the chairman dismissed, the finance director resign, the company slide into losses, a furious public row erupt between the past and present chairmen at an extraordinary general meeting, a rights issue, a report of accounting irregularities, and statements about possible legal action.

Just at a time when many investors could be tempted to cut their losses, giving the company up as a basket case, Audio Fidelity announced that it was successfully marketing a pocket calculator-sized electronic translator which could more than double turnover in a year and transform its fortunes.

So where did the present imbroglio begin? And, more to the point, where is it likely to end?

Until 1987 Audio Fidelity was a listless maker and retailer of sound equipment which had oscillated between profit and loss for a number of years.

Then, in early 1987 amid a chorus of publicity, Mr Stephen Goldberg and Mr Iain Burton seized the helm through a reverse takeover by their Fanfare Products company.

The business duo seemed well-matched. The ebullient Mr Burton, whose background was in music and entertainments, had shown a flamboyant entrepreneurial streak as the creator of the Hot Gossip dance group and founder of a pop record company, Captain Billys Music, which had formed a successful association with Stock, Aitken & Waterman, the record producers.

The suave Mr Goldberg had shown seemingly steadier financial virtues as an accountant in the entertainments world and partner in the accountancy firm of Goldberg Ravden.

"*From an investment point* of view it was a dream. A small sleepy company was to be taken over by a creative entrepreneur and a solid financial accountant," said Mr Roger Squire, a London businessman who invested heavily in the revamped company, initially buying 200,000 shares at 92p.

Other investors clearly felt the same and Audio Fidelity's share price raced ahead. By April 1987 it had climbed to 183p, over three times the value that it had languished at in the previous year.

Faith in the new management's ability was seemingly vindicated when the company announced its annual results for the year to June 30 1988. This showed a 66 per cent jump in pre-tax profits to £1.33m. Several acquisitions had been made, enterprising management seemed to be in place and the company talked grandly about a shift in innovations in electronic products away from the Far East and the US towards Europe.

"I am confident about our future and I am very excited about our new products in all divisions," Mr Goldberg proudly proclaimed. Within a few months, however, it became apparent that things had gone horribly wrong.

The first public bombshell came on January 9 this year, when, in two separate statements, Audio Fidelity announced that Mr Goldberg had been dismissed and that an accounting discrepancy had been unearthed. The company asked for trading in its shares to be suspended at 129p - on the resumption of trading in March, the shares plummeted 71p to 58p.

Two days later, on January 11, Audio Fidelity announced that Mr Anthony Lascelle had stepped down as finance director and company secretary.

These events were the public manifestation of a remarkable battle that had taken place behind the scenes.

Mr Burton said he had become worried by certain aspects of the company's operations in September after receiving complaints from several customers. He said he was further alarmed in December when two of the company's banks, Barclays and Privatbanken, withdrew credit facilities due to the company's stretched financial resources.

He investigated these matters and presented his findings to Mr Adrian Burn, a partner in BDO Binder Hamlyn, the accountancy firm which had previously audited Audio Fidelity's accounts before it was replaced by Stoy Hayward in 1987. Mr Burn said there was superficial evidence of accounting irregularities and suggested that Mr Burton should raise the matter with the board.

So, on January 2, Mr Burton telephoned the company's directors and asked them to meet the following day at Audio Fidelity's head office in Park Road, London.

The meeting was scheduled for 2pm, as two of the directors, Mr Denis Newbold and Mr Peter Davison, had to travel from Leeds to attend. But although Mr Burton with attendant lawyers and supporters, including Mr Squire and Mr Burn, turned up at that time, no one else was to be seen. Mr Goldberg had met Mr Newbold, Mr Davison and Mr Bill Gibbeson, another board director, to discuss matters beforehand with lawyers and stockbrokers. Mr Goldberg has denied there was anything sinister in this and Mr Newbold has confirmed that his behaviour was "entirely proper". Because of this delay, however, the board meeting - excluding the finance director who was on holiday in Hawaii - did not convene until about 6 pm.

At this meeting, according to Mr Burton, he pressed for the board to discuss the evidence of accounting irregularities he had discovered but was consistently talked down by other board members. One of the company's secretaries, who periodically ferried in drinks to the meeting, relayed snatches of news to the assembled crowd of lawyers, shareholders and accountants outside who were hungry to know what was going on.

By about 8.30 pm, Mr Squire who has a 5.1 per cent holding in the company, said it had become obvious that the meeting "was not going to end in smiles and roses." Consequently, he burst in and demanded the board listen to what Mr Burn had to say about the accounting problems.

Mr Newbold, who was acting as chairman of the meeting, asked Mr Squire to leave the room as he had no right to speak at a board meeting, but Mr Burn was nevertheless brought in and talked to the board about the accounting irregularities he had come across in Audio Fidelity's books.

As a result, the board agreed to form a committee and invited the company's auditors, Stoy Hayward, to investigate the allegations.

Stoy Hayward, which had previously given Audio Fidelity an unqualified report for its annual figures, confirmed that there were indeed accounting discrepancies amounting to £527,000. Press reports in January suggested these discrepancies related to the way in which sales were invoiced, leading to an overstatement of profits.

Audio Fidelity subsequently had to write off the £527,000 discrepancy and net assets were consequently reduced from £2.68m to £2.1m.

The committee discussed the situation with Stoy Hayward and Audio Fidelity's stockbroker, Phillips & Drew. Following these talks, the board decided to dismiss Mr Goldberg. Mr Newbold said Mr Goldberg, as chairman of the company, should have known about the accounting problems whether in fact he did or not.

From an investor's point of view, worse was to follow. In March, Audio Fidelity announced it had incurred pre-tax losses of £2.34m for the six months to December 1988. The company said it would sell its audio business and launched a rights issue to bolster its thinned balance sheet.

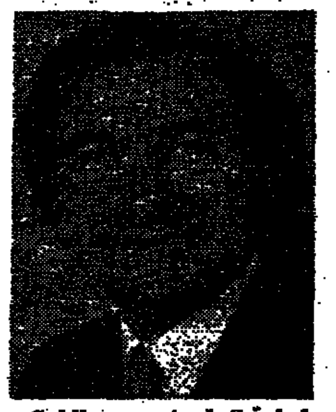
Last month, at the extraordinary general meeting called to approve the rights issue, the personal battle between the two erstwhile business partners flared up again and a shouting match broke out between Mr Goldberg and Mr Burton. Mr Goldberg aggressively interrogated Mr Burton about Audio Fidelity's performance and questioned his ability to run a public company.

The resolution was passed without problem, however, and Mr Burton said the company was currently trading extremely well: its Fanfare division had received firm orders for over 1m of its electronic translators, which sell for £34.95, and its music division was making good profits. The company's other divisions are to be pruned back or sold. "In the next few months the company should be completely changed."

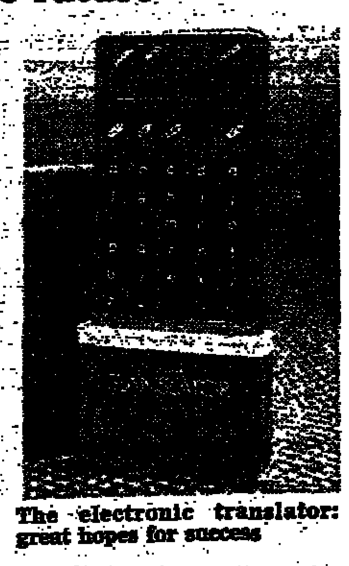
As to the accounting irregularities, Mr Burton said: "We are now taking advice from our lawyers as to what action can be taken against those responsible."

Meanwhile, the spectre of the disgruntled Mr Goldberg still haunts Audio Fidelity. Despite selling about 150,000 shares in the summer of 1988 and giving a further 150,000 shares to two fellow directors, Mr Goldberg still possesses 1.44m shares in Audio Fidelity, representing just under 18 per cent of the company's equity. He has made an offer for the company's audio division, and is still pressing for the removal of Mr Burton from the board, if necessary he claims, by means of an extraordinary general meeting.

For Audio Fidelity's suffering shareholders, the months of turmoil may not be over.



Iain Burton (left) and Stephen Goldberg: seized the helm through a reverse takeover



The electronic translator: great hopes for success

Specialist stake in Dickie up to 10.67%

Specialist Holdings, a London-based consortium, has taken its stake in James Dickie, the quoted Ayrshire-based drop holdings manufacturer, from 7 to 10.67 per cent, and is thought to be buying more shares.

Dickie recently fought off an attempt by Specialist Holdings, headed by Mr Keith Daley, a former merchant banker, to nominate four directors to its board. Dickie said that it had no idea of Mr Daley's intentions.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Cronite, English China Clays, Huntingdon Intl, Titaghur Jute Factory.
Finals- Borland, RIT Capital Partners, Sears.

FUTURE DATES

Interims-

Concentric	May 16
Metro Radio	May 16
Westland	June 1
Finals-	
Chesterfield Properties	May 10
Courtaulds	May 24
Holmes Protection	May 17
King & Shaxson	May 11
Marston Thompson & Ever.	June 6
Ocean Wilsons	May 17
Personal Assets	May 18
Storehouse	June 1
Whitbread	May 17

FINANCIAL TIMES STOCK INDICES

	May 5	May 4	May 3	May 2	Apr 28	Apr 27	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.85	86.92	86.64	86.60	86.85	86.68	89.29	85.84	127.4	49.18
Fixed Interest	97.59	97.50	97.50	97.67	97.25	97.04	99.59	95.93	105.4	50.53
Ordinary	1770.9	1758.1	1744.5	1736.3	1750.4	1745.9	1770.9	1447.8	1926.2	49.4
Gold Mines	174.3	173.7	173.0	176.9	185.0	186.2	196.1	154.7	734.7	43.5
FT-Act All Share	1097.29	1090.77	1083.99	1083.96	1090.04	1088.10	1101.68	921.22	1238.57	61.92
FT-SE 100	2132.8	2119.0	2105.7	2103.1	2118.0	2115.7	2132.8	1782.8	2443.4	986.9

INTERNATIONAL CAPITAL MARKETS

OTC OPTIONS

Mitsubishi Finance in service launch

MITSUBISHI Finance International today launches an ambitious over-the-counter options service, staking their pitch in a growing but still highly lucrative corner of the sophisticated financial engineering business.

The new operation is a single page on Reuters terminals, quoting indicative prices for options on the Nikkei Dow index, the FT All-Share index, a medium-dated UK government bond and a cross-currency sterling versus D-Mark option.

But Dr Desmond Fitzgerald, who is head of the arbitrage group, bravely claims he will make options prices on any underlying financial instrument the client requires – for any maturity and in any amount. His intention is to "price them realistically," something notably absent in the current market.

Unlike the market in tailored currency options, which is established and consequently keenly priced, options on bonds and stock indices are much newer developments and in London have hitherto been the preserve of US houses, most notably Bankers Trust.

"Many of the these instruments, particularly warrants, have been sold largely to a retail rather than a professional clientele who are not so sensitive [about pricing]," Dr Fitzgerald said.

But his group is targeting professional fund managers, including refugee customers from the discredited portfolio insurance technique still in search of several years' worth of price protection for their investment portfolios.

At first Mitsubishi will draw on the strengths of its parent in Tokyo, concentrating on Japanese products.

But the group will make prices on much more obscure products, such as an option on the difference between French and German short-term interest rates. Whereas an American exchange has developed this idea already, its hands are tied pending regulatory approval.

Katharine Campbell

INTERNATIONAL BONDS

Eerie calm provokes introspection

EUROBOND markets have had one of their most quiet weeks ever, with scarcely a new issue to ripple the calm of dealing rooms. Holiday succeeded holiday across the world, shutting down the normal distribution and placement networks, and limiting activity.

The eerie calm gave syndicate managers and investors alike an unusual chance to reflect on the performance of the markets. It also meant that the pricing and terms of the few deals which were launched were the subject of intense scrutiny.

This probably explained why none of last week's deals were contentious, with lead managers aware that any nimble terms would be quickly exposed and the deal ruined.

Lead managers were drawing a double lesson from this experience. On the one hand, and most obvious, there was clear merit in launching deals when rival houses had little of their own to do. Sales teams with nothing else to do were able to concentrate their efforts on single issues for hours at a time, a luxury few deals enjoy in normal market conditions.

The peculiar circumstances also highlighted, however, the increasing necessity for deals to be priced carefully to identified demand in the market.

Credit Suisse First Boston's £75m floating-rate note issue on Thursday for the Bradford & Bingley Building Society was a good example of a deal aimed at institutions looking for a particular yield. It had a good reception in a thin market and benefited from lack of competition.

It would be unrealistic to suggest that a few deals in unusual market conditions mark the beginning of a new mood among Eurobond houses. Nevertheless, syndicate managers have begun to admit that the new issue pendulum which has long been firmly in the orbit of the borrower is now swinging back towards the investors who are asked to buy the bonds.

One Eurobond official said last week: "If you're asking me whether borrowers' funding rates are coming under pressure, then the answer has to be a qualified yes." The qualification is that it is too early to tell whether this is a permanent change or whether it reflects a short-term phase in the competition among ambitious Eurobond houses.

Because of the traditional secrecy surrounding borrowers' funding targets, it is also difficult to assess the extent of any changes in the rates now being achieved. Estimates are hazy, but even well-rated borrowers are having to lower their sights by a significant number of basis points. This is particularly true when a prospective lead manager has doubts about the strength of demand for new paper.

This comes after a long period when intense competition meant that many borrowers could name increasingly tight funding targets and know that they would eventually find a buyer for the deal.

In turn, syndicate managers have been forced to inform borrowers that they can no longer offer the sort of spreads to which they have become accustomed. Deals which once were effectively subsidised by the deliberate abuse of underwriting commissions now come to the market without that prop.

If the alternative was not coming to the market at all, most borrowers have been prepared to pay the extra cost needed to raise what are relatively cheap funds anyway.

In addition to changes implemented by the International Primary Markets Association, other factors have been at work to put pressure on borrowers. The first four months of 1989 saw very heavy activity on the primary Eurobond markets, so heavy that some syndicate officials think there was simply not enough demand to soak up all the paper.

The traders who bought large quantities of US dollar Eurobonds as part of their normal spread trading strategy did so in the expectation that eventual retail demand would allow them to sell their bonds at a profit as the spreads against government bonds tightened.

European retail investors, however, were worried by the currency risk of the dollar and proved noticeably reluctant to buy the paper.

The professional traders, quickly facing losses, became sellers of their bonds, adding to the pressure on spreads and leading to some dramatic movements. Benchmark dollar issues like the World Bank $500m 9% per cent 10-year deal saw their spreads widen to historically wide levels.

For example, the World Bank's launch spread of 28 basis points over Treasuries has widened to 45 over, while the spread on the Electricité de France $500m deal is now around 53 basis points over Treasuries, 20 basis points wider than at launch.

The chart shows the long-term spread relationship between benchmark 10-year fixed-rate Eurobonds and equivalent government bonds, illustrating how spreads have widened in recent weeks. Because of the smoothing effect of the long-term horizon, however, the true extent of the widening is somewhat hidden, and is better illustrated by the issues mentioned above.

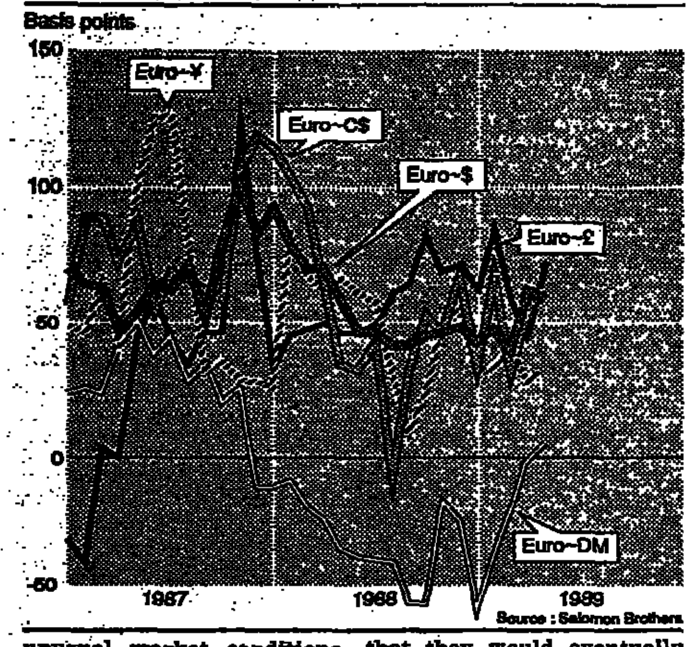
At the shorter end of the maturity curve, to which investors have inevitably gravitated because of the inverted yield curve, there have been even sharper movements in spreads. These have been exacerbated in some cases because deals were launched at uncompetitive prices. The lead managers ended up owning most of the issue and were forced to allow the spread to widen in order to attract investors.

Syndicate officials have an ambivalent attitude to current spread levels. On the one hand, they feel that levels are more realistic than the tight spreads common through much of last year. At the same time, wide spreads imply the stigma of general market under-performance.

The recent stop-start rallies on the US Treasury market have so far failed to translate into a real improvement in sentiment on the Euromarkets. Many traders feel, however, that any sustained rally in the US might see Eurobond spreads narrow as sharply as they have widened. Investors who have watched spreads without buying might chase a rally and relieve some of the inactivity so evident last week.

Andrew Freeman

10-year Eurobond spreads against government bonds



Source: Salomon Brothers

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	200.0	0.2	215.0	8,180.6
Prev	6,536.2	798.7	108.0	14,585.3
Other	1,694.2	0.0	385.3	1,492.9
Prev	2,940.7	42.7	284.8	2,536.7
Secondary Market				
US$	17,612.0	1,687.2	7,022.8	7,524.6
Prev	20,648.8	1,381.0	6,312.7	6,828.2
Other	17,308.7	988.5	5,472.1	24,734.4
Prev	16,331.2	1098.5	4685.1	31,684.9

	Cedel	Euroclear	Total
US$	11,260.1	31,182.3	42,442.4
Prev	11,532.0	45,666.9	57,189.9
Other	21,173.2	30,302.9	52,076.1
Prev	26,447.6	33,148.0	59,595.6

Week to May 4, 1989. Source: AIBD

EUROCREDITS

Global fund drive for Murdoch finance vehicle

MEDIA Partners Ltd, the Bermuda-based financing vehicle established to purchase some non-newspaper properties from Rupert Murdoch's News Corp, is seeking a $1bn global financing facility via Manufacturers Hanover. The facility is split into an $884m seven-year term loan and a $116m seven-year revolving credit with currencies in both to be split between dollars and sterling.

Funds will be raised simultaneously in the US and Europe. Terms of the loans have not been disclosed. It will be capitalised through the sale of about $1bn in equity with shares to be sold via Credit Suisse First Boston. There will be a mezzanine financing facility as well.

News Corp retains full management of the vehicle and a 20 per cent equity stake although the lenders will have no recourse to assets of News Corp. The first purchases are to be European and US publishing properties now owned by News Corp, valued at about $1.3bn.

Meanwhile, North American firms are stepping up to the Euromarkets, taking advantage of the mid-spring lull which has sent banks hungrily searching for new business.

Prudential Securities Group, the parent company of Prudential-Bache, has mandated Bank of America International to arrange for it a $250m two-tranche facility. One tranche consists of a three-year term loan while the other is a revolving credit. Terms were not released.

Also via Bank of America, Black & Decker Holdings is seeking a £150m three-month bridge financing which will be repaid after funding is arranged for the pending acquisition of US-based Amdahl. The facility carries a margin of 50 basis points over London interbank offered rates but carries no fees.

Scott Maritimes, the Canadian subsidiary of Scott Paper, has mandated Bank of America International to arrange a $75m 20-year term loan for which lenders can demand repayment after seven years. Repayment may be sought at three-year intervals thereafter.

There is a margin of 25 basis points over Libor for the first five years, rising to 32¼ basis points for years six and seven. For years eight to 20, the margin is 50 basis points. There is a participation fee of 10 basis points and the loan is guaranteed by the parent company.

Meanwhile, Elkem, the Norwegian ferro-alloy and aluminium producer, is seeking a $100m credit facility of which $80m is committed. Royal Bank of Canada and Den Norske Creditbank are co-arrangers. The facility incorporates a $60m revolving credit facility in the form of a five-year bullet loan. It carries a margin of ⅛ over Libor and a facility fee of 7½ basis points.

There is a five basis point facility fee if over half the loan is drawn.

In addition there is a $20m revolving evergreen facility.

Norma Cohen

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Flash◆‡(a)	30	1993	3¾	0.15bp	100.10	Sanwa Int.	-
Furukawa EL◆Φ	300	1993	4	4½	100	Nomura Int.	4.500
CANADIAN DOLLARS							
West LB(Lux)(b)◆	75	1994	5	0	60.50	West LB	10.573
Shell Canada◆	125	1994	5	11	101½	Wood Gundy	10.598
State Bk.of Victoria◆	75	1992	3	11	101⅜	Goldman Sachs	10.443
NEW ZEALAND DOLLARS							
ANZ Banking◆	60	1992	3	14	101⅞	Hambros Bank	13.203
HONG KONG DOLLARS							
World Bank◆	500	1995	6	10⅛	100½	Sanwa Int.	10.010
SWISS FRANCS							
Nishi-Nippon Bk.★★§(d)	150	1993	-	½	100	Credit Suisse	0.500
FRENCE FRANCS							
Schneider◆§(g)	510	1998	8½	6	(g)	Paribas	-
D-MARKS							
Kaufhof Fin.★★◆(e)	100	1992	3	8¼	100	Commerzbank	8.250
ECUs							
GECC◆	200	1994	5½	8¾	101⅞	Paribas	8.291
GMAC◆	100	1992	3	9	101½	BPCM	8.414
STERLING							
Bradford and Bingley◆	150	1994	5	(f)	100	CSFB	-
YEN							
Qantas Airways◆(c)	10.6bn	1999	10	5.20	102	Mitsubishi Fin.Int.	5.005

◆Final terms. §Convertible. ★★Private placement. ‡Floating rate note. ΦWith equity warrants. a)0.15bp over 3-month Libor. b)Option to redeem bond in DM at maturity at a rate of DM1,594.20 per C$1,000. c)Redemption starts November 1992 with 13 semi-annual instalments of Yen742m. d)Put to yield 1.991%. e)Issuer repays in Dollars if Dollar is below DM1.89 and in D-Marks if above. f)Bond yields 3-month Libor plus 1/16th. g)Fungible with domestic issue. Price is FFr850 per bond. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Equities and bonds lose their nerve

PERHAPS it was nothing more than one of those freakish technical maelstroms that sometimes occur in thin markets, but there was something unnerving about the sudden change of mood on Wall Street late on Friday afternoon.

One moment traders in the bond and stock markets were celebrating the justifiable euphoria created by the April employment figures. Then suddenly, for no apparent reason, prices in both markets just seemed to melt away.

In equities, the sudden turnround was ominously reminiscent of the frenzied volatility in the nightmarish period immediately after the Black Monday crash. In just one hour, a seemingly rock-solid 25-point gain on the Dow Jones Industrial Average was transformed into a 10-point loss a few minutes before the market closed a net 2.94 points down.

In bonds, the late afternoon fluctuations were less spectacular, but in a way even more surprising. For Friday was the day when the most enthusiastic of bond market economists finally saw their wildest dreams coming true.

If the kind of economic news that hit the market on Friday morning was not enough to spark an explosive rally in bond prices, it is hard to imagine where a sufficiently powerful detonator might be found.

The good news was not confined to the deceleration in the economy implied by the April employment figures. An even bigger surprise was the unstoppable upward momentum of the dollar in response to the jobs reports.

With everything so strongly in the market's favour, what could account for the market's sudden loss of nerve on Friday afternoon? Three types of explanation are possible: economic, technical, and political.

Obviously there were still uncertainties about how long the good economic news would last, although there was, for once, no ambiguity in the employment figures. Even the 0.7 per cent jump in April's hourly earnings was much less inflationary than it appeared, since it coincided with a downward revision in the March figure.

Taking the past three months together, wages have risen at an annual rate of only 4.2 per cent. Nevertheless, there are clouds on the inflationary horizon. Producer prices to be announced this week could show an annualised inflation rate of 8 to 10 per cent. Then there are wage settlements like the one announced on Friday by Bethlehem Steel. This deal raised hourly pay by 9 per cent and seemed to play a role in the market's late sell-off.

Secondly, there are technical problems connected with this week's Treasury refunding. The Treasury's announcement that it would sell $9.75bn in three-year notes, $9.5bn in 10-year notes and $9.5bn in 30-year bonds was no larger than anticipated.

However, the market was intensely, if unjustifiably, disappointed on hearing that the additional $50bn worth of zero-coupon bonds required by the Savings & Loan Resolution Funding Corporation (Refcorp) as part of the Administration's S&L rescue plan will be issued directly by the Treasury instead of being scooped up by Refcorp from the long end of the bond market.

Considering that any money put back into the market by Refcorp in this way would have been borrowed from bondholders with the agency's other hand, this argument never made much sense. Nevertheless, the elimination of the Refcorp factor is said to have contributed to the abrupt steepening of the yield curve recently.

That steepening in itself has been seen as a bearish factor by some analysts, since some investors had viewed the yield curve's brief inversion as a conclusive sign that recession was imminent.

An interesting gloss on this anxiety was offered on Friday by Nomura International in London. Nomura pointed out that Japanese investors had suffered short-term losses in the February refunding, which was immediately followed by a monetary tightening.

More significantly, Nomura drew attention to the persistent currency losses of the luckless Japanese investors in US bonds. Japanese life insurers recorded currency losses of Y4,100bn between 1985 and 1987, the broker notes.

In the last year, they seemed to learn from their mistakes and hedged practically all their dollar exposure, effectively giving up most of the yield advantage of buying US bonds. They nevertheless managed to lose another Y500bn in the 1988-89 fiscal year, this time because the dollar rose against the yen.

As a result, the life insurers have again stopped hedging their dollar exposures, Nomura reports. This absence of hedging has been one of the main factors underpinning the dollar in recent months – Japanese net purchases of US bonds amounted to about $7bn in the first three weeks of April alone. Of course, experience suggests the insurers will be proved wrong again. This year they will presumably be whipped by a renewed strengthening of the yen. Or will they?

This leads to the third, and most important, source of worry: policy. The recent behaviour of the foreign exchanges suggests market forces may fail to bring the world's currencies into better balance, just as they failed in the period of dollar overvaluation in the mid-1980s. The question now is whether the central banks will decide to override market forces, as they did through the Plaza Agreement in 1985.

If the German and Japanese authorities do not do something fairly soon to bolster their currencies, the world economy will continue to "converge" and "adjust" in the most perverse directions. Germany and Japan will converge towards American and British rates of inflation, and the US will adjust towards the levels of protectionism normally associated with Japan and France.

When, as on Friday, the dollar rises to an ever higher level in defiance of the economic fundamentals, the risks of buying US bonds do not diminish, they increase.

Perhaps the bond market's seemingly perverse weakness as the dollar soared on Friday could have been rationalised in this way.

Conversely, it is possible to imagine bond prices rallying, rather than collapsing, in response to Group of Seven actions that brought the dollar to heel, particularly if these took the form of a revaluation of the D-Mark and yen and left undisturbed the dollar parities of other currencies, such as sterling and the French franc. It is worth remembering that *the devaluation of the dollar in* 1985 coincided with one of the greatest bull markets in the history of US bonds.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.75	9.81	10.00	10.00	6.27
Three-month Treasury bills	8.72	8.84	8.88	9.13	6.21
Six-month Treasury bills	8.87	9.10	8.96	9.67	5.72
Three-month prime CDs	9.78	9.81	10.10	10.15	6.77
30-day Commercial Paper	9.60	9.70	9.88	9.70	6.55
90-day Commercial Paper	9.57	9.65	9.98	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101 3/8	+3/8	8.99	9.12	9.37
20-year Treasury	103 1/8	+3/8	9.01	9.07	9.24
30-year Treasury	99 1/4	+1/2	8.95	8.97	9.09

Source: Salomon Bros (estimates).

Money supply: In the week ended April 24, M1 rose by $8.1bn to $787.3bn.

NRI TOKYO BOND INDEX

December 1983 = 100	27/4/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	148.09	4.99	148.10	148.67	146.58
Government Bonds	148.38	4.79	148.43	149.41	147.67
Municipal Bonds	150.01	5.21	149.91	150.95	147.94
Govt.-guaranteed Bonds	150.03	5.26	150.88	152.09	149.11
Bank Debentures	141.80	4.94	141.87	141.65	140.00
Corporate Bonds	149.94	5.42	149.93	148.67	146.15
Yen-denom. Foreign Bonds	153.61	6.18	153.95	152.56	149.21
Government 10-year†	5.00		4.98	4.87	4.88

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

In sore need of an external shock

THE GILT-EDGED securities market traded in an extremely narrow range, even by its own recent standards, last week. The market spent most of the week waiting for the £500m reverse gilt auction and the US employment numbers, both on Friday, and in the event did little with either.

To say the market was calmed would be a gratuitous use of euphemism.

It is lacking any direction at present, and the reason seems clear: confusion abounds.

The gilt market is caught between those who think short-term UK interest rates will rise and those who do not.

Furthermore, even those who think rates will remain unchanged see little hope of a reduction in the short term.

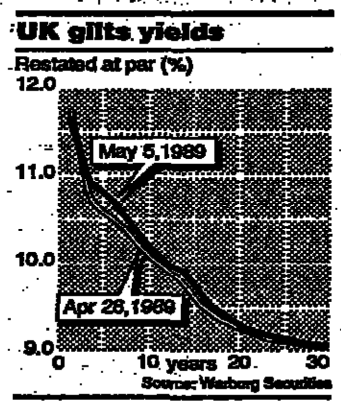
With long-term rates well supported by the Bank of England – or, at least, the thought of the Bank's presence – those who believe that short rates are going up have little incentive to be in that sector of the market which has shown some volatility, the short end.

Simply put, the market is waiting for some externally-generated shock to move it either way. Nothing almost always comes of nothing.

The line emanating from the official family (the Bank and Treasury) is no move in rates, up or down. Evidence gathers of a slowdown in domestic consumption, although there is plenty of interference in the data if one wants to find it.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

On Friday, official figures showed the lowest level of housing starts in more than a year. On the same day, April car sales were reported to have reached a monthly record, with imports taking nearly 60 per cent.

Sterling key

It is easy to think of reasons to sell the pound – inflation, wage pressures, strikes, a policy muddle that will take a lot of time to sort out – but as Mr Richard Jeffrey, economist at Hoare Govett, points out, sterling has been quite good to the currency investor. Possibly this is why the much-proclaimed sterling crisis has so far eluded the predictions of most.

In the past five years, the pound's nominal three-month interest rate differential vis-a-vis the dollar and the D-Mark has been 2.7 and 5.7 per cent. It is now 3 per cent against the dollar and 6.5 per cent against the D-Mark.

The differential on real short rates (nominal rates deflated by the domestic consumption deflator) in the past five years was 1.7 per cent against the dollar and 2.2 per cent against the D-Mark. The spread is now 2.25 per cent and 3.5 per cent.

So what does this mean for returns?

In the past five years a three-month sterling deposit has been 6.2 percentage points greater than an equivalent dollar deposit and 1.7 percentage points greater than an equivalent West German deposit. (All returns are currency adjusted.)

All of this does not mean that there will not be a sterling crisis later in the year, possibly sooner than later, but it is a powerful explanation why such a crisis has so far failed to eventuate.

The interest rate support of the pound is, by historical standards, very strong.

Auctions

The one thing that is clear from last Friday's £500m reverse gilt auction is that auctions are clearly here to stay. The Bank mooted an auction for the summer in its announcement flagging Friday's operation, and it now seems certain that they will go ahead, if for no other reason than the Treasury likes them.

The unknown with Friday's auction was the possibility that the further out along the yield curve the Bank moved the higher the premium it would have to pay for the stock. With an average premium of around ¼ of a point, that worry was laid to rest.

Clearly the Bank could have picked up the stock at a cheaper price if it had acquired it through its normal secondary market operations. It paid more than £1m extra to the market for the privilege of having it sell stock to them via an auction.

But the auction does at least give the public a chance to participate, and the process does allay the fears, however groundless, of some traders that secondary market purchases do not benefit all.

Will the Bank move even further along the curve? There would be something complete about it if it did so. Given that it made mention of the need to smooth the profile of redemptions as a reason for choosing the maturities it did for Friday's auction then, if it were to go with longer maturities the years 2003, 2005, and 2006 would be obvious candidates.

Those years also happen to straddle some of the most actively traded long-dated stocks.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AHFC O/S. FIN. 11¾ 94	100	100⅞	+¼	11.49
ALBERTA PROVINCE 7⅞ 91	750	94½	+⅛	9.82
ALBERTA PROVINCE 9¼ 95	600	98½	+¼	9.67
ALCOA AUSTRALIA 11 92	80	100¼	0	10.91
AMERICAN GENERAL 9¾ 95	100	99¾	+⅛	9.78
AUSTRALIA 11¼ 90	100	101⅛	+¼	10.31
AUSTRALIA 11¼ 00	100	105⅞	+¼	10.35
AUSTRIA 7¼ 97	200	89¼	+⅛	9.60
AUSTRIA 8½ 90	250	97⅝	+⅛	10.13
BANK OF TOKYO 8⅞ 96	100	92½	+⅛	9.91
BANK OF TOKYO 11 90	125	100¼	0	10.65
BANK OF TOKYO 11⅞ 90	100	101¼	0	10.50
BANK OF TOKYO 13⅞ 89	100	100⅞	0	10.79
BARCLAYS JERSEY 10½ 90	250	99⅝	+¼	10.33
BARCLAYS JERSEY 10⅝ 95	250	103¼	+¼	9.94
BELGIUM 7½ 91	250	94⅝	+⅛	9.99
BELGIUM 7⅝ 91	300	96¼	+¼	9.99
BELGIUM 9¼ 92	400	97⅞	+¼	9.86
BELGIUM 9⅝ 98	250	99	+⅛	9.79
BETAWEST PROP 7⅞ 93	150	92½	+¼	10.06
B.F.C.E. 7¾ 93	100	91⅝	+⅛	9.86
B.F.C.E. 7⅞ 97	150	89⅞	+⅛	9.70
BK NOVA SCOTIA 7⅞ 91 SW	150	95¼	+¼	10.43
B.N.P. 8¾ 93	125	95¼	+¼	10.29
B.N.P. 13½ 89	150	100⅞	0	10.93
BP CAPITAL 9¾ 93	150	98¾	+⅛	9.99
BP CAPITAL 11¼ 92	150	101⅝	+¼	10.38
BR.COL.HYDRO 11¼ 93	200	105	−⅛	10.25
BRITISH TELECOM FIN 9¾ 98	250	97⅞	+⅛	9.75
CAMPBELL SOUP 10½ 95	100	101	+⅛	10.26
CANADA 11½ 90	300	100¼	−¼	10.55
CANADIAN PACIFIC 7½ 96	100	86⅞	0	10.20
CANADIAN PACIFIC 10¼ 93	100	101¼	+¼	10.36
CANADIAN PACIFIC SECS 15 89	25	100¼	−⅛	11.25
C.C.C.E. 7¼ 91	113	94¼	+¼	9.91
C.C.C.E. 9¼ 95	300	97⅞	+¼	9.75
CENTRUST SAVINGS 0 10	1,280	14⅞	0	9.58
CEPME 7¼ 92	125	93¼	+¼	9.90
CHEVRON CORP 8¼ 96	300	91⅞	+⅛	9.92
COLGATE-PALMOLIVE 9½ 96	100	96¼	+¼	10.17
COMM BK AUSTRALIA 10 93	100	100¼	+¼	9.87
COMM BK AUSTRALIA 12⅞ 89	100	100½	0	10.96
COMMERZBK O/S FIN 8⅞ 92	100	96¼	+⅛	10.10
CONTINENTAL GRP 11½ 93	75	97	+¼	12.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OSTER KONTROLLBANK 8¾ 93	200	94⅞	+¼	9.77
OSTER KONTROLLBANK 9⅛ 92	200	98¼	+⅛	9.74
PACIFIC GAS & ELEC 12 00	75	107½	+¼	10.77
PENNEY J C. 12⅞ 91	100	101⅝	0	11.84
PEPSICO INC 7⅞ 93	200	91⅞	+¼	10.07
PEPSICO CAPITAL 8¾ 91	100	96¼	+¼	10.35
PETRO-CANADA 7¾ 96	200	87⅞	+¼	9.76
PHILIP MORRIS 9⅞ 98	200	97⅞	+¼	10.26
POSTIPANKKI 11⅛ 90	75	100¼	−⅛	10.65
PROCTER & GAMBLE 10 95	150	100	+½	9.97
PRU.RLTY SECS. 0 99	365	41⅞	+¼	9.39
QANTAS AIRWAYS 8¾ 96	97	94¼	+⅛	9.83

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 13 90	150	102⅞	−⅛	10.65
QUEENSLAND GOVT 11⅞ 89	100	100¼	0	10.71
RALSTON PURINA 11⅞ 93	150	104½	+⅛	10.69
REYNOLDS R.J. 10⅛ 93	100	94⅞	+⅛	11.94
RICHARDSON-VICKS 11⅛ 93	125	102⅛	−⅛	10.76
ROCKWELL INT 9⅞ 90	200	99⅞	+¼	10.33
S.A.S. 10¼ 95	150	100⅞	+¼	9.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTL PAPER 5¼ 02	200	90½	+⅛	24.68
LTCB 1¾ 02	200	110	0	2.07
MCA 5½ 02	300	93¼	−⅛	14.73
MITSUBISHI BK 1¾ 02	300	120¼	0	−0.86
NEWMONT MINING 7 01	100	122½	−1¼	2.96
NIPPON ELECTRIC 2⅞ 00	150	255	+3	−0.50
NISHI NIPPON 2⅞ 03	70	119	−2	2.08
PIONEER CONCRETE 9½ 98 AS	175	89⅞	−⅛	21.10
ROCKEFELLER CENTER 0 00	952	32½	0	−42.34
SANWA BANK 1¼ 02	300	97	−¼	−2.25
SOUTHWEST AIRLINES 6¼ 98	35	92⅞	+¼	30.45

TEXACO CAPITAL 11¾ 94	500	106¼	+¼	−1.02

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6⅛ 93	20.00BN	103⅛	+¼	5.77
AUSTRIA 4⅞ 94	30.00BN	98¼	0	5.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEN ELEC CRED 9½ 92 B	17/12/92	45	+3	10.70
GMAC 8¾ 95 B	17/12/92	7½	−½	9.21
HEINZ H.J. 7½ 96	11/02/91	7½	−½	8.57
NORDIC INV BANK 7⅞ 96	01/10/90	2⅞	−½	7.44
NORDIC INV BANK 10 96	30/10/91	2	−½	7.85
SBC FINANCE 10⅛ 90	27/03/96	42½	+2½	9.13
S.A.S. 9¼ 03	11/01/90	0¼	0	10.08
	03/06/91	20¼	−⅛	8.99

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 5

Acquisitions help boost Pirelli net to L282bn

John Wyles in Rome

ITALY'S Pirelli group, in its first-ever consolidated balance sheet, has reported 1988 net profits of L282bn ($204m) on sales of L9,120bn.

Pirellona, the group's holding company, said at the weekend that the 1988 profit was 28 per cent higher than the "theoretical" surplus of the year before, while revenues were 25.8 per cent up on 1987.

Sales were swollen by the acquisitions during 1988 of Armstrong, the US tyre manufacturer, and of Filergie, the French cable company.

Without these acquisitions, sales would have been 14 per cent higher than in 1987. The tyre and cable activities each accounted for around 48 per cent of turnover.

The novelty of this first set of consolidated results is that it will be the only one to include Pirelli's tyre activities before Pirelli Tyre Holding is floated later this year on the Amsterdam Stock Exchange.

The company's annual meeting in June will be recommended to agree to a dividend of L55 for ordinary shares and L65 for saving shares.

Anglo American Properties climbs by third

By Jim Jones in Johannesburg

ANGLO American Properties, South Africa's largest listed property management company, lifted its pre-tax profit by almost one third in the year to March 31 with strong demand for commercial property leases.

The pre-tax profit rose to R38.7m ($15.1m) from the previous year's 29.4m but a higher tax rate resulted in the taxed profit increasing by a slower rate to R29.5m from R23.5m.

Demand for commercial property has strengthened in line with the country's economic recovery, specifically in and around Johannesburg.

Amaprop has been particularly active in developing and marketing new office space in metropolitan Johannesburg.

BFCE told to raise debt provisions

By Paul Betts in Paris

THE French Banking Commission has asked Banque Française du Commerce Extérieur, the state-controlled foreign trade bank, to increase sharply its bad debt provisions on its FFr6bn ($943m) foreign loan portfolio.

The bank regulatory authority wants BFCE to bring its level of provisions on its foreign country exposure more in line with the much higher rate of provisions of other leading French banking groups.

At present, BFCE's bad debt *provisions cover only about 25* per cent of the bank's foreign loans, compared with 50 per cent or more for most of the big French commercial banks.

The Banking Commission has now told BFCE that it must increase its provisions to cover 40 per cent of its foreign loan portfolio by the end of this year.

BFCE will thus have to raise about FFr900m in funds from its shareholders to meet the higher provision requirements. The foreign trade bank will also have to raise additional capital funds at some later stage to meet Cooke Committee prudential ratios by 1992.

BFCE's main shareholders include the Banque de France and the state Caisse des Dépôts, which own a 24.5 per cent stake each in the foreign trade bank. Banque Nationale de Paris, Crédit Lyonnais, Société Générale, Crédit Agricole and Crédit National also each own 10 per cent apiece.

Although BFCE's state shareholders are expected to back reluctantly a capital injection to help the foreign trade bank increase its level of country risk provisions, the now privatised Société Générale and Crédit Agricole banking groups are likely to adopt a far more critical and recalci*trant attitude to BFCE's debt* provision problems.

As private banks, Société Générale and Crédit Agricole see little interest in supporting BFCE, which they increasingly regard as a competitor.

BFCE was originally set up in 1946 by the French Government to supply subsidised finance for France's post-war foreign trade expansion.

But financial deregulation, including liberalisation of French export credit procedures, has pushed BFCE into a more competitive commercial banking environment and into mainstream banking activities.

Like other large specialised *state credit institutions* in France, deregulation has forced BFCE to alter radically its overall business approach.

INI to lift stake in aerospace company

By Tom Burns in Madrid

INI, the Spanish public sector holding consortium, is to increase its controlling interest in Casa, the aerospace company. The move will prevent a possible acquisition by European competitors of a minority equity in the company that has been held by Northrop of the US.

Casa said INI would raise its 73 per cent holding in the company to about 88 per cent in a capital increase that will be formalised later this month.

Northrop has informed INI it will not be maintaining its present 11 per cent equity stake, and Messerschmitt-Bölkow-Blohm of West Germany, which owns 13.2 per cent of Casa, will remain as the company's sole partner.

France's Aerospatiale and the new Deutsche Airspace group, which includes MBB, had expressed an interest in taking Northrop's place but Casa recommended that INI forestall any such acquisition.

The decision to augment public ownership appears to run contrary to government thinking but observers said the increased INI equity was viewed as a provisional measure taken at key moment in the company's development.

Harcourt slides deeper into red

By Roderick Oram in New York

HARCOURT Brace Jovanovich, the US publishing group, has reported a sharply higher first-quarter loss, reflecting a deeper deficit in its publishing operations and higher interest costs for the recapitalisation that thwarted a 1987 takeover bid by Mr Robert Maxwell, the UK publisher.

Its net loss from continuing operations for the period ending on March 31 rose 151 per cent to $131.5m or $1.80 a share, from $52.3m or 87 cents a year earlier.

Revenues increased to $315.5m from $276.7m, with bigger contributions from its three business segments – publishing, amusement parks and insurance. However, the operating loss on publishing rose to $46.1m from $27.3m.

The company attributed the setback to higher sampling and marketing costs for a large number of new elementary and secondary school books.

Moreover, the returns of college textbooks occurred largely in March this year compared with April a year earlier.

The company was also hurt by an increase in interest expense to $87.4m from $67.3m. It had borrowed heavily to pay shareholders a large special dividend to block Mr Maxwell's offer. It reduced its debt to $1.07bn from $1.54bn during 1988 by issuing $100m of equity and $400m of bonds.

But in spite of the partial reduction, it had to contend with higher interest rates, increased seasonal borrowing and higher carrying costs on some of the payment-in-kind and deep discount junk bonds it used in its recapitalisation.

The parks division turned in a first-quarter operating profit of $4.5m, against $4m a year earlier, while insurance operations edged ahead to $12.5m from $11.9m.

Kleinwort's US paper rating cut

By David Lascelles, Banking Editor

THE credit rating on Kleinwort Benson's US commercial paper has been lowered by Standard & Poor's, one of the two leading US credit rating agencies, because of the merchant banking group's recent poor profit performance.

S&P cut Kleinwort's rating to A-2 from A-1. The rating applies to paper issued by Kleinwort Benson Ltd, the group's banking subsidiary, and Kleinwort Benson US Finance, its American arm.

S&P said that while Kleinwort had been addressing its problems, the continuing difficulties of the UK securities industry could prevent a return to satisfactory profit levels in the near future.

The lower rating also reflects the increased volatility of Kleinwort's earnings, with core activities no longer providing sufficient stable income to offset the ups and downs of the securities business.

Last month, Kleinwort reported 1988 profits before tax of £17.7m ($29.9m), down from £51.6m the year before. This included a second-half loss of £17.3m caused by the problems of its securities division. Since then Kleinwort has reduced its securities staff by 33 in a bid to cut costs.

Kleinwort said the group was disappointed by the reduced rating.

FAA blow for Eastern Air

By Anatole Kaletsky in New York

THE US Federal Aviation Administration has temporarily closed the maintenance facilities run by Eastern Air Lines at New York's Kennedy Airport.

The FAA decision came after an investigation which discovered the bankrupt airline had failed to abide by required maintenance routines at Kennedy for an extended period before the strike which brought most of Eastern's operations to a standstill in early March.

The FAA's action, which was revealed in Washington on Friday night, delivered another potentially serious blow to Texas Air Corporation, Eastern's parent company, in its controversial attempts to revive the strike-bound airline as a smaller non-unionised business.

According to an FAA statement, Eastern had "repeatedly failed" to follow required procedures for recording and inspecting the maintenance performed at Kennedy.

This raised "serious questions" because management had "failed to correct the problems at Kennedy Airport even though Eastern knew or should have known about these problems."

Before they went out on strike, Eastern's machinists' and pilots' unions had frequently accused the airline's management of failing to maintain its aircraft adequately in order to cut costs.

The company's management, on the other hand, had accused its unions of mounting a wide-ranging scare campaign to deter the public from flying on its aircraft.

On Friday, the company went further, suggesting that members of the International Association of Machinists may have deliberately sabotaged maintenance procedures.

The company said: "The FAA's investigations have reinforced Eastern's belief that a group of IAM mechanics employed at Kennedy have conspired to undermine Eastern and its maintenance management."

Peerless to buy US carpet mill

By Robert Gibbens in Montreal

PEERLESS Carpet, Canada's largest surviving carpet manufacturer, is planning to buy the loss-making Galaxy Carpet Mills of the US in a deal worth US$120m.

Peerless is offering US$14 a share or $46m for Galaxy and would assume US$74m debt. It said the move was designed to take advantage of the Canada-US free trade pact under which tariffs will be abolished on carpets in the next 10 years.

If Galaxy shareholders agree to the takeover, the enlarged Peerless group would become North America's third largest carpet manufacturer.

LEGAL COLUMN

Mixed partners face European problem

By Robert Rice

THE LAW SOCIETY, in reaching the firm conclusion in its final response to the Government's legal green papers that mixed partnerships between solicitors and other professionals were not likely to be in the best long-term interests of lawyers or their clients, hinted that one of the reasons for opposing them was the possible problems they might cause for English and Welsh lawyers wanting to practise in Europe.

This view is endorsed, at somewhat greater length, with the publication today of the submission of the UK delegation to the Council of the Bars and Law Societies of the European Community (CCBE) on the impact of the green papers on the work and organisation of the UK legal profession in the European Community.

The delegation asks the Government to consider very carefully before implementation whether the proposals on the licensing of advocates, mixed practices and contingency fees are fully compatible with EC practice and the European codes to which the UK profession subscribes.

The impact on the UK profession of a failure by the Government to take these points on board could be severe. The 1992 programme contains more than 300 directives covering important aspects of commercial activity. Lawyers throughout the community will have to learn about the new measures in order to advise their clients.

As the internal barriers fall, there will be increased mobility of people and businesses. Lawyers from all member states will find it necessary to provide advice on a community-wide basis. Lawyers must provide essential support services for businesses seeking to exploit their freedom to trade throughout the common market.

The UK legal profession, in particular, sees the changes resulting from the 1992 programme as a tremendous opportunity in a market which is already well predisposed towards it.

The delegation makes the overall point that the first principle of the Common Code of Conduct for lawyers in the Community, recently adopted by all European Bars and law societies, is that the lawyer must be independent of all outside influence, including government.

That principle would be breached by the green paper's proposed element of direct control over the profession as well as the proposals on multi-disciplinary practice and conveyancing by so called authorised practitioners.

The Government's proposal on the granting of advocacy certificates is criticised by the delegation as diverging from the practice in the rest of Europe. Initial qualification as a barrister or solicitor would not be sufficient of itself to give the holder of the qualification rights of audience in the courts.

The proposals might open the way to the contention that a UK lawyer without full advocacy rights in the UK should not have rights of advocacy in the courts of other member states under the services directive. That would have the effect of depriving UK lawyers of rights which they have at present and diminishing their ability to compete in the Community.

It would also be very damaging if it cast doubt on the rights of UK lawyers to practise before the European Court and other EC institutions, particularly the Commission in its adjudicatory capacity.

The creation of a category of UK lawyer without any rights of advocacy would also have surprising consequences in relation to rights of appearance before the courts in the UK. Under the services directive, lawyers of other member states have a right to practise and appear before any court in this country on an occasional basis, subject to working in conjunction with a local lawyer.

The effect of the UK proposal could be to export mixed partnerships into other member states

There are already potential anomalies in this. For example, a French avocat could appear in the High Court in conjunction with an English or Welsh barrister whereas an English or Welsh solicitor may not.

The delegation believes that the Government's proposals might cause real problems in the light of the European Court's decision in *Commission v Germany* in February 1988, where it was made clear that the court would give a wide interpretation to the rights conferred in the services directorate and a narrow interpretation to the conditions and restrictions contained in it.

The creation of lawyers without rights of audience before English courts might also cause problems with the recognition directive in relation to foreign lawyers obtaining access to the UK profession under it. The delegation notes that it would be strange if access to the local profession actually reduced their rights of audience before the English courts.

The most serious concerns of the delegation relate to multidisciplinary practices, however. Since law firms in one member state are permitted under the Treaty of Rome to have branch offices in other member states, the effect of the UK proposal could be to export mixed partnerships into other member states through branch offices.

As in most member states, the legal professions are not permitted to practise in conjunction with members of other professions this could cause problems.

It is also probable that lawyers practising in mixed partnerships may not satisfy the requirements of independence demanded for lawyers in many European countries or the test applied by the European Court in the *AM & S* case, where the European Court ruled that for the purposes of EC law, in-house lawyers did not have the necessary independence from their employers/clients to be able to claim legal professional privilege.

The Government's plans envisage in particular mixed practices of solicitors and accountants but this appears to completely overlook the 8th EC company law directive, which requires auditing firms to be controlled (at least 51%) by regulated auditors.

This seems to suggest that it is Community policy that firms providing services which are reserved by law to members of a regulated profession should be controlled by members of that profession. It would hardly be appropriate to require less in the case of law firms, the delegation notes.

Of the two EC member states – West Germany and the Netherlands – that do permit lawyers to enter into mixed practice arrangements of a sort, Germany permits them only with a list of restricted 'kindred' professions within a framework which is very closely regulated.

In the Netherlands the regulation seems more open but in practice it leaves the decision on which professions to recognise to the Bar Association, which has only recognised a very limited number of professions so far and accountants are not among them.

In view of the wide divergence of opinions within the EC on multidisciplinary practices it seems clear that the Government must adopt a very cautious approach.

If no common view is reached within the Community on the essential safeguards necessary for the lawyer in a mixed practice, there is a very real danger that some other member states will refuse to recognise UK solicitor members of such practices as independent.

LAW SOCIETIES ADMISSIONS

2nd May, 1989

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LEGAL APPOINTMENTS

LEGAL APPOINTMENTS

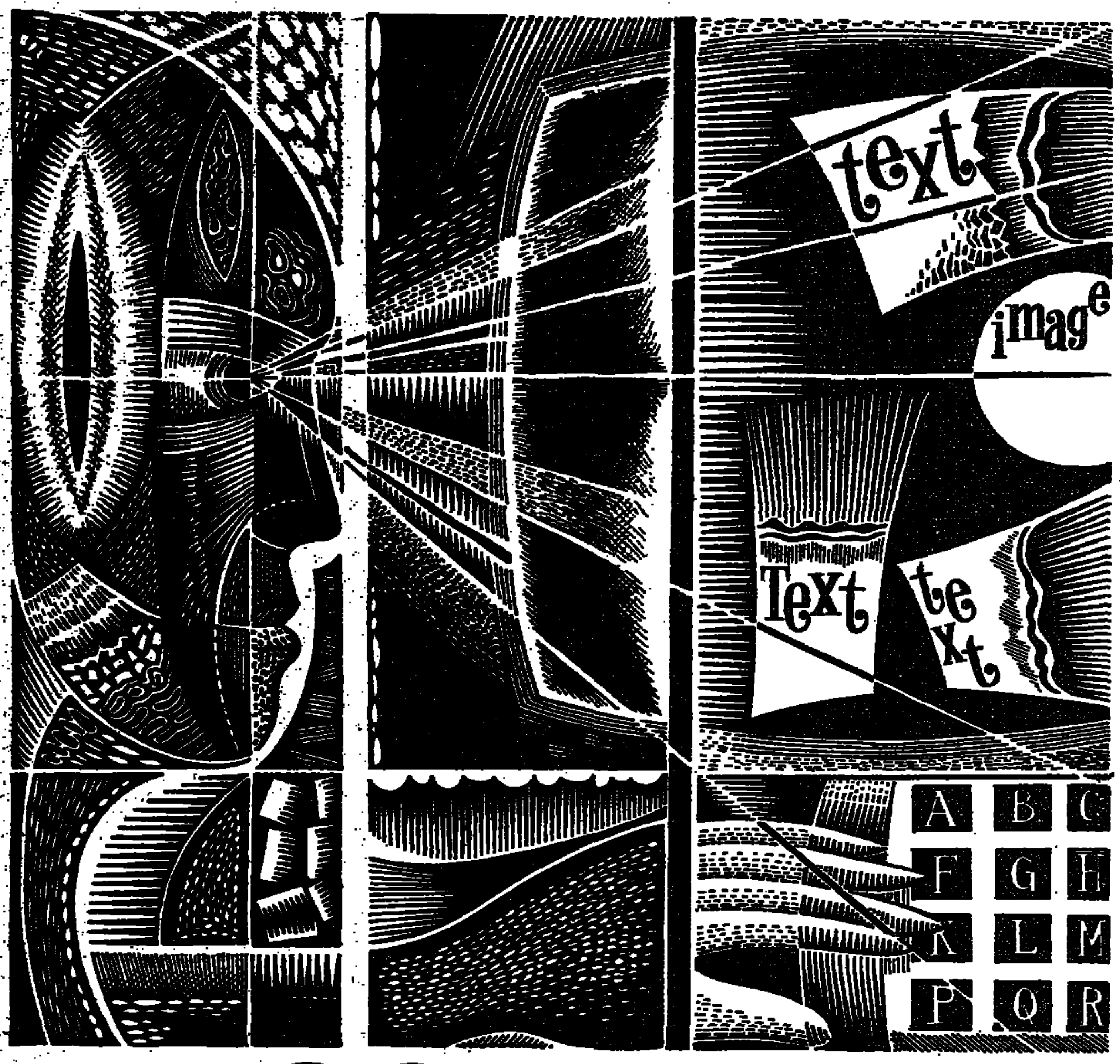
ALSO APPEAR TODAY ON PAGE 29

FINANCIAL TIMES SURVEY

While the "paperless office" may never be realised, computer communications and image handling have so far advanced that electronic documents and methods of creating them can contribute significantly to cost savings and improved quality.

Alan Cane reports

Keeping tabs on paper



DOCUMENT PROCESSING

CONTENTS

HOSTILITIES IN the fight to contain and reduce the volume of paper in the office are commencing. Battle lines are being drawn around a group of technologies now coming into their own as advances in microelectronic technology and computer software reduce costs and improve quality and efficiency.

They include scanning, optical character recognition, optical storage and laser printing. Individual sections of this survey deal with each of these technologies in detail. There has been a profound change, however, over the past few years in the concept of information as a business resource. The idea of the "paperless office", in particular, which was so much a part of office automation thinking a decade ago, has been largely abandoned.

Desk top publishing (DTP) indeed, where text manipulation and laser printing are combined to make simpler the production of high quality master documents, promises to increase rather than decrease the volume of paper in circulation.

So paper will remain a staple of business life, the document the principal instrument of information exchange for the foreseeable future and the chief thrust towards methods of containing and managing, rather than eliminating it.

The UK-based consultancy Oasis, for example, calls its approach to paper management "Papermation." Mr David Stanley, director of innovation for Oasis, points out that information in most companies remains an uncontrolled corporate resource.

It lives on paper in filing cabinets, on floppy discs for personal computers and in notes and memoranda. Figures from the US suggest there are some 318bn paper documents on file and that each individual executive has five filing cabinets. Business information has doubled in volume in the past 19 years, and is expected to double again in the next six.

In the UK, the community charge, which will gradually replace the present rating system over the next few years, is a case in point. According to Mr Mark Fullstone of Kodak Business Imaging Systems, the introduction of the community charge will mean a six-fold increase in paperwork for local authorities.

The average borough, he suggests, will have to deal with half a million extra pieces of information. In London, the cost of extra paper storage space could exceed £60,000 a borough. The answer, Kodak suggests, is document imaging technology, either in the form of microfilm or optical disk.

Brentwood, just outside London, estimates that it will have to handle an extra third of a million documents, most of them in an easily retrievable form because of the inevitable queries. It is installing a Philips Megadoc optical storage system to tackle the problem and believes it will need to increase its workforce by only 75 per cent rather than the 150 per cent it originally predicted.

Mr Stanley argues, nevertheless, that the majority of companies are "woefully" ignorant of the range of technologies available to help bring that sea of data under control.

The Papermation approach is to assess which parts of the flow of paper through a business add value and which are simply a drag on efficiency and profitability. After that assessment, an array of paper and electronic media can be called on to rationalise and control the company's information flow.

Among those electronic systems, a group of techniques and business methods which can loosely be grouped together under the heading "document processing" is beginning to help to cut costs through the increasing handling of text and image in electronic form.

The group includes electronic document interchange (EDI), compact disc/read-only memories (CD/ROM), image processing and desk top publishing.

Electronic document interchange is increasingly seen as a major technique for reducing the amount of paperwork involved in straightforward business communications – orders from retailers to suppliers, for example, and the resulting invoices.

Ford of Europe, for instance, one of the most sophisticated users of information technology in the world, is establishing an electronic network it calls "FordNet" between itself and its suppliers to enable direct electronic communication of invoicing and purchasing information.

Ford currently pays its suppliers against invoices confirming payment through paper remittance advice notes mailed concurrently with the cheques. Where there are discrepancies in the information from Ford and its suppliers, the accounts department has to intervene, holding up payment.

With FordNet fully operational, all of that will be replaced by "Evaluated Receipts Settlement" which will eliminate invoices; instead, self-billing electronic invoices are sent to suppliers over the network with details of receivals and proposed payments. The payments themselves are made by electronic funds transfer direct to suppliers' banks.

The insurance industry is an enthusiastic user of EDI and a pioneer in the mixing of video images of documents and digital text – technically a complex operation. In the UK a consortium of 12 insurance companies has been pioneering over the past 12 months a system which allows data to be entered into accurate images of a company's documents complete with headings and logos on the computer screen.

Compact disc/read only memories are at the heart of much of the recent developments in text processing. Compact discs, "written" and "read" by laser beams which distinguish a digital pattern engraved on the metallic surface of the disc, were devised initially as an alternative to conventional commercial audio discs and tapes. It quickly became apparent, however, that they had substantial potential as computer memories capable of storing vast amounts of information.

Philips of the Netherlands pioneered these developments with its "Megadoc" system, using large-scale discs. At present, there are some 75 Megadoc systems installed including 10 in the UK. Last month Philips and Agfa joined hands to develop a reader/scanner capable of reading microfilm and microfiche documents and transferring them to optical disc.

Compact laser disks are beginning to find ready acceptance as read-only memories for microcomputer systems. Microsoft and Lotus, the two leading microcomputer software suppliers both have promising new businesses in the supply of information on CD/ROM. Lotus, for example, offers "One Source" which deals in financial information.

Image handling in the broadest sense is perhaps the most important new trend in document handling. According to the marketing consultancy IDC, annual sales of what it calls compound document management systems from US suppliers will be more than $2bn in 1992.

The list of system vendors includes Filenet, Plexus Computers, Wang, Olivetti, Philips, Plexus, Canon, Kodak, Xionics and 3M. Now International Business Machines has set its seal of approval on the market with the launch of Imageplus, a system which, it says, "will help customers who process large amounts of paper, such as insurance companies, banks and government agencies, to reduce costs and improve service to their customers."

According to Mr Ian Reynolds, director of sales and services for IBM UK: "Image processing will revolutionise the way we view and process information. The creative and practical uses of image processing will be limited only by the imagination."

IBM may have legitimised the market, but Philips and Wang, the US-based minicomputer manufacturer were the major pioneers of the technology.

Wang's Integrated Image System (WIIS) has been sold to over 250 users worldwide, including British Airways and Western Provident.

Mr Marc Fresko, a senior consultant with management consultants Peat Marwick McLintock, argues that, though document image processing is still an adolescent technology, it is set to become accepted into the mainstream of information technology in the same way that personal

Continued on Page 4

Alan Cane looks at the latest in information storage

How optical memories score

WHEN Mr Steve Jobs, president of Next Computer Corporation and co-founder of Apple Computer, launched the first personal computer from his new company a few months ago, it featured, among other innovations, a novel optical disk drive.

Manufactured by Canon of Japan, the new drive could not only store data but the data on the disk could be rewritten, the first time such a drive had been incorporated in a volume computer product.

The Next innovation was a milestone in the history of a technology which could influence the development of personal computing and document processing just as profoundly as the latest, very fast microprocessor chips from Intel or Motorola. "Mankind", Mr Tony Henley says, "seems to have an insatiable appetite for information storage." Which goes some way to explain why information technology specialists are so excited about the potential of optical memory technology in general and rewriteable disks in particular.

Mr Henley is head of research and consultancy at the UK National Centre for Information Media and Technology (Cimtech), headquartered at Hatfield Polytechnic, which has a powerful interest in the development of optical storage.

Optical memory technology essentially offers the possibility of huge storage capacity at very low cost. As such, it represents a serious threat to conventional magnetic disk and tape storage. To give an example, a conventional 2,400 ft computer tape can store about 100 million bytes of data.

ICI of the UK has developed an optical storage tape of the same length which stores one billion bytes of data. The tape is written and read by equipment developed by Creo of Canada.

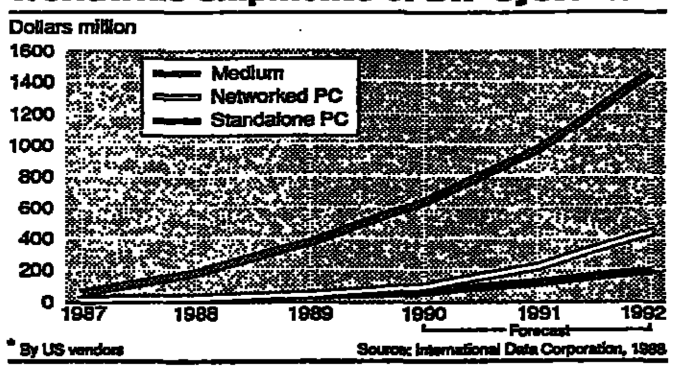
What gives optical memories the advantage over magnetic memories is the way in which more information can be packed into the same space. The technology depends on the use of a high-powered laser to create a physical change in the surface of the tape or disk.

The surface is of a sophisticated metallic formulation. The laser can burn a pit in the surface (ablation), create a bubble or change the state of the surface in a more subtle way, say by initiating a change from the crystalline to the amorphous state. The pattern thus created will be equivalent to a series of "0"s and "1"s – the basic units of computer language.

A low-powered laser system can "read" the pattern by measuring light reflectance from the surface.

Currently, optical memories used in information processing are of three types. The first is CD/ROM (compact disk/read only memory). According to Mr Henley, there are now about 160,000 CD/ROM drives installed worldwide, some three times the number of a year ago.

Worldwide shipments of DIP systems*



* By US vendors

Source: International Data Corporation, 1988

These systems are the heart of optical publishing. Microcomputer software companies like Microsoft and Lotus are beginning to create profitable new businesses selling information on CD/ROM.

The information is imprinted on the disk during manufacture in the same way as pictures and music are imprinted on commercial videodiscs. It cannot be altered and new information cannot be added.

There are moves to establish a standard, CD/ROM XA (extended architecture) to define the way graphics are handled on CD/ROM. Philips, a pioneer in optical memories, is developing a system called CDI (interactive) which combines computer and disk drive in the same cabinet, requiring only connection to a television set to form essentially an electronic encyclopaedia.

Intel, the semiconductor manufacturer, has developed a special chip which has the ability to produce full screen moving images from CD/ROM.

The second area is WORM technology – write once, read many times. It differs from CD/ROM in that the information stored on the disk is at the discretion of the customer. The WORM disk is supplied as a blank and users write in their own information. Once written, the data cannot be modified or added to.

WORM technology is popular with companies like banks and building societies which have large collections of documents to store. Some use digital "juke boxes" which can contain up to 100 WORM disks, giving huge storage capacity. There are probably some 120,000 WORM drives installed worldwide.

The third area is rewriteable disks, now emerging from the laboratory and making their appearance in machines such as the Next microcomputer. Costs are high, say £3,000 or more per drive at present, but this is certain to decline as volume increases. Next is thought to have paid less than $1,000 a drive.

A variety of methods is used in rewriteable drives, but the most common is magneto-optics. Initially, the disk surface has a particular magnetic orientation. A laser is used to heat small portions of the surface under the influence of a strong magnetic field.

A phenomenon called the Curie effect results in a localised reversal of magnetic polarity. The disk can therefore be read by laser in the same way as CD/ROMs.

The reflectance of the magnetised spot differs from its surroundings because of a second phenomenon called the Kerr effect. When the surface of the disk is again heated, using the laser, the magnetic polarity is lost and consequently the disk can be read and written to many thousands of time.

Why should anyone want to use a WORM drive when rewriteable drives are becoming available? The answer is security. A problem with electronic images of documents and graphics is that there is no way of ensuring that the image is original and has not been tampered with. For documents whose integrity is important, WORM drives would seem to be the best approach.

Other technologies which are being used in rewriteable drives include phase changes, where the surface is reversibly changed from crystalline to amorphous and polymer/dye, which exploits light sensitive chemicals on a plastics base. That opens the possibility of optical floppy – and therefore very low cost – disks.

The emergence of low cost and effective optical memories seems certain to change the face of personal computing, making possible, for example, the storage and retrieval of full texts and complicated diagrams. Computer-aided design, for example, is being profoundly influenced.

Optical storage is slower than magnetic storage at present but the speed differential is expected soon to even out as the technology matures. With the price of high speed semiconductor storage also on the decline, the writing would seem to be on the wall for traditional magnetic media.

Scanning documents into the Philips' Megadoc image-handling system at Legal & General

IMAGE PROCESSING

The next step ahead from microfilm

IMAGE PROCESSING is about getting *information into the* human brain as quickly as possible, through the medium of the human eye.

Because of that, image processing is gluttonous for hardware, particularly storage media in the case of document image processing (DIP). The precursor to document image processing is microfilm.

Microfilm was invented in 1926 by George MacCarthy, a New York banker, who was concerned that if cheques were lost or stolen or if there was a fire while they were being transferred between bank branches into a central clearing area, there would be no record that they had left the branch.

MacCarthy approached George Eastman, founder of Eastman Kodak, with his idea for a cheque recorder. Eastman bought the patent and made MacCarthy head of the division. The Kodak microfilm recorder was launched in 1928.

'Our microfilmer does 30,000 cheques an hour'

Bank branch applications are still very important to microfilm. According to Mr David Bratt, head of Kodak Business Imaging Systems in the UK, the market for micro*film and what it calls digital* document management systems will reach about £150m in the UK in 1989.

"The UK is about 5 per cent of the worldwide market, estimated from a combination of internal figures and various external market research reports," he says.

Kodak's Information Man*agement System (KIMS) has* been designed to interface to DEC and IBM computers, but so far for the passage of data only, not images. However, Digital Equipment (DEC) has recently announced techniques for passing images around through its Ethernet local area network.

The origin of much of Kodak's growth into *document* image processing comes from computer-aided retrieval (CAR) of microfilm images. It will be some years yet before DIP overtakes CAR.

"You can microfilm around 10,000 images onto one roll at a cost of around £5, including processing," says Mr Bratt.

"The image capture speed of microfilm is also very quick. The rated speed of one of our microfilmers is 30,000 cheques an hour, and we have several customers who do 10,000 cheques an hour without any problem.

"Digital scanning is much slower at the moment. We really see the two markets growing together for some time. As technology brings the *cost of* scanning down and the speed up, some applications will go over to optical disc."

Another factor is that only microfilm is currently admissible as evidence in a court of law. As most English law is based on precedent, the law has yet to catch up with the technology. Where an image needs to be kept for legal purposes, it will still be microfilmed, particularly accounting documents which need to be kept for seven years.

Kodak envisages a need in the future for a system which scans a document and produces a microfilm copy for long-term storage, and which also digitises it onto erasable media for short-term storage, where fast access may be needed for the first couple of months.

Standards that cover resolution quality and the way that information and images are digitised are constantly evolving. Even now, for example, if one has a 20-year-old magnetic tape, the challenge is to find a computer that will actually read it. One of the advantages of low-tech microfilm is that it *is eye-readable.*

Mirror Group Newspapers now uses an optical disc system for its cuttings library, although back issues and other archival material are still microfilmed. Under the manual system it replaced, a cuttings file was opened for each subject or heading, and a story was physically cut and placed *in each file.*

With the new system, a story is cut once and scanned, and cross-references to it then entered through the keyboard. In the same way as the bulk of fax messages tends to be text-based, the same seems to hold for DIP. Although the system at MGN provides an image capability, it is primarily the *text of stories which is stored* into the system.

"It is unnecessary to scan the pictures because that eats up expensive storage space," says Mr Bill Berentemfel, editorial administration manager at MGN.

For banks and financial institutions, the expense is only a secondary worry. Citibank Mortgage, *for one*, used to feel that its customer service operation was being gradually undermined by paperwork mountains.

An organisation and methods review revealed that over 35 per cent of customer file requests could not be met without some delay, and none within 24 hours from the off-*site storage facility.*

Citicorp, the parent company, had installed six AT&T FileNet DIP systems in the US, marketed in the UK by Olivetti. The system has also been installed in the UK at the Britannia Building Society, Lloyds Bank's international banking division and British Telecom's Mobile Communications Customer Services.

Last August, Citibank Mortgage installed a system at its Hammersmith headquarters in West London at a cost of more than £1m.

The system is based on a "write once, read many" times (WORM) optical storage and retrieval "jukebox" with a maximum capacity of 85m pages. It covers several areas including mortgage applications, customer correspondence, funds transfer, insurance and redemptions.

Over 35% of customer file requests could not be met without delay

All documents are scanned and indexed on arrival and are subsequently available for simultaneous inspection by a number of people within 20 seconds. Over 200 mortgage applications a day can be processed, standard replies generated and information exchanged with Citibank's IBM mainframe computer.

The market for DIP is constantly changing. These changes are divided into two areas – players and new developments, according to Mr Marc Fresko, senior consultant at Peat Marwick McLintock.

On the players' side, some vendors will leave the market altogether, *he told participants* at Blenheim Online's Document Image Processing (DIP '89) conference held in March.

"Equally, more players are likely to enter the market; the most obvious names here are IBM and DEC," he added.

"IBM UK's strategy has been hard to understand; by not launching the ImagePlus system, which was announced in June 1988 in the US, questions are raised about its applicability to our marketplace.

"The challenges abound to find imaginative, realistic and worthwhile applications for DIP, and to work out how these will integrate into other business systems."

Boris Sedacca

Agfa/Technologic Tadmis postroom equipment in action

Della Bradshaw spotlights a growth area

Desk top hits jackpot

FIVE YEARS ago, desk top publishing (DTP), where companies prepare their own documents on a personal computer (PC) and print them out on a laser printer, was nothing more than a twinkle in a technologist's eye.

But the combination of three factors – the launch of the Apple Macintosh personal computer, with its ability to manipulate text and graphics, the rapidly falling price of laser printers and the subsequent development of DTP software – has made DTP one of the real growth areas of the 1980s.

US market research organisation Dataquest, for example, predicts that the North American market for DTP systems will grow by 42 per cent every year until 1993.

When DTP was launched, it was positioned half-way between word processing and professional publishing. Now it is expanding both upmarket in terms of its capabilities and downmarket in terms of price, says Mr Richard Bradley, DTP marketing manager for Apple in the UK. The biggest growth area in the UK at the moment, he says, is in the professional applications of newspaper and magazine publishing and graphic design.

Mr Bradley estimates that in the UK alone there is a £580m market for the computers for use in DTP – users also need printers and scanners to input photographs. Slower to take off, but in the long-term far more lucrative, is the UK general purpose business area, which Mr Bradley believes is worth £1.6bn for PCs alone.

In the general business area, companies are using DTP systems to produce everything from hand-outs to annual reports, because it can save both time and money as well as ensuring that the information is secure. According to a recent survey by Dataquest, the five major applications for DTP in the US are: newsletters; memos and internal documents; technical documentation; internal company reports; and sales literature.

A basic DTP system, with a scanner, a Macintosh personal computer and a laser printer, can cost from £5,000 upwards. For companies setting up systems from scratch, the most popular PC is still the Macintosh, which took nearly 80 per cent of the UK market last year, according to the marketing consultancy Romtec. However, many companies are now exploiting their existing installed base of IBM or IBM-compatible PCs by buying DTP software packages to use on them.

DTP is not a panacea for all printing needs. Mr Bradley believes the decision about whether to go for DTP or traditional printing is a question of quality rather than quantity. "It depends on who you're trying to impress," he says.

Two of the key drawbacks of DTP are that the system can print only in black and white, or in crude spot colour, and the range of half-tones, or greys, that they can produce is limited. That said, several advances in printer technology are now likely to minimise some of those problems. Mr Bradley believes some colour applications will be available by the end of this year, but using printers which cost over £10,000.

The speed with which colour printing will become widespread will depend on how quickly low cost, high performance colour laser or ink-jet printers appear on the market. Many of today's colour printers are limited because they use only thermal paper, not ordinary business paper.

Ink-jet printers, as their name suggests, shoot jets of ink at the paper. Low-end models have between 10 and 12 nozzles, which give 180 dots an inch, while top-end models give up to 300 dots an inch. Although cheaper than laser printers, at about £800, they print only about two pages a minute; about a quarter of the capacity of the cheapest laser printers. Colour ink-jet printers combine four different ink colours together to give over 300 colour combinations.

Although DTP systems today can produce some impressive results, higher resolution systems are in the pipeline which will give a wider range of half-tones. With most of today's printers, which print at 300 dots an inch, only a limited number of greys are possible. But a growing number of 600 dot an inch printers are now coming onto the market which can print up to 64 different grey shades.

Further fine-tuning in laser printing will also speed the growth of DTP. Hewlett-Packard, for example, the world's largest supplier of these printers, now sells ones that print on both sides of the paper, and can bind documents along either the long or short edge, useful for newsletters or technical documentation.

Another boost to DTP was given last autumn, when IBM decided to endorse a software package called PostScript, developed by Adobe Systems of California. PostScript was developed to give better text and graphics reproduction and also to allow any computer to work automatically with any laser printer – without it, every time a document is printed, the computer has to be told what model printer is being used.

Now that IBM – along with Digital Equipment, NEC, Wang, Hewlett-Packard, Fujitsu and Apple Computer (which owns 19 per cent of Adobe) – plans to incorporate the software in its products, it looks set to become the industry standard.

Another emerging application of DTP does away with the printer altogether. Instead, the text and graphics produced on the computer screen are translated into material for slides or videotape. In the near future they could also be fed onto compact discs or videodiscs

Although the market for stand-alone DTP systems is in its infancy, its application in large corporations is already being reassessed, says Ms Claire Hanney, publishing systems product manager for Monotype International, a Redhill-based manufacturer. She compares the situation to that experienced by large companies when the stand-alone PC began to proliferate.

"Companies are realising that they have this system over here and that one over there – and that none of them talk to each other. So they're now beginning to look at the situation corporately," says Ms Hanney.

One solution she believes is to have a network of DTP systems, called an electronic publishing system, which allows companies to extract information from a number of different sources – such as the company's mainframe, word processing systems and so on – and incorporate them in one document. As well as giving a higher degree of flexibility, electronic publishing systems can also maximise capital outlay by harnessing several PCs to work with just one printer.

Boris Sedacca profiles a leading DTP company

Aldus: 'We create new markets'

TOGETHER WITH Apple and Adobe, Aldus virtually created the desk top publishing market. Formed in February 1984, Aldus began shipping its first product, Macintosh PageMaker, in July 1985. Since then, growth has been spectacular.

"When I joined Aldus in October 1985, there were 27 employees. Today the figure is around 450," says Mr Mike Solomon, vice president of sales and marketing for Aldus.

Profit and turnover grew in leaps and bounds, from $518,000 on sales of $2.2m at the end of 1985 to $14.6m on sales of $79m last year. Revenue per employee, the main yardstick for a company's efficiency, has grown in that period from $122,000 to $188,000.

However, something has to be sacrificed for such growth, and return on equity, which peaked at a staggering 97 per cent in 1986, is now down to a more modest but still enviable 28 per cent. This is reflected to a lesser degree by a return on revenue today of 18.5 per cent compared with 23.2 per cent in 1985.

The main growth spurt came in January 1987, when Aldus began shipping PageMaker running under Microsoft Windows on the IBM Personal Computer. Sales jumped almost fourfold from $11m in 1986 to $40m.

Mr Solomon is coy about giving a breakdown of revenues between Apple and IBM for fear of upsetting either manufacturer. Despite the successful launch of PC PageMaker, Aldus's new products, Persuasion and FreeHand, are available only on the Apple Macintosh.

Over the past few years, Apple has regained the initiative over IBM in the PC market, and the Macintosh is widely acknowledged as providing a superior software development environment to the IBM PC. PageMaker runs sluggishly on IBM PCs, even those based on faster 286 and 386 microprocessors.

IBM's response to the Macintosh, the PS/2, has been slow to take off, but in the long run IBM has many more allies in the computer industry, and *unlike the proprietary Macintosh* which is available from Apple only, the PS/2 will be manufactured from multiple sources which is bound to drive its price down.

"Persuasion and FreeHand were not developed internally," explains Mr Solomon. "They were acquired externally. Our intention is to release a PC version of Persuasion by the end of the year. We have a development team working on this. FreeHand will come later."

Persuasion is a "presentation" product, something which is already in abundant supply in the IBM PC market where Aldus will face stiff competition from established suppliers, particularly Harvard Graphics, the market leader.

FreeHand, a drawing package, poses problems of an *entirely different nature, taking* Aldus almost into the realms of image processing and enhancement, and into competition with Adobe.

Adobe is the custodian of the PostScript page description language which forms an essential part of PageMaker. The company has already launched a PC version of its Illustrator drawing package.

The first version of Aldus FreeHand offered PostScript language drawing tools, freehand sketching, graphics editing and multiple design layers.

FreeHand 2 adds blending, custom fills, multiple text block formatting, and the full printing industry standard Pantone Colour Palette. It provides camera-ready artwork and colour separations.

"We have a co-operative relationship with Adobe, 85 per cent of whose business is PostScript. We started competing in the applications software market when we brought out FreeHand a year after Adobe brought out Illustrator. *I think we are winning the* battle in terms of market share."

Over 40 per cent of Aldus's business comes from outside the US according to Mr Solomon. "We believe that as we move towards 1992, our business outside the US will outstrip that *inside it over the next three years.*"

The company has its European headquarters in Edinburgh, and has set up subsidiaries in the UK, Germany and Sweden, and plans to set up in France later this year.

Aldus employs 62 staff at its European headquarters, 33 staff in the UK and Eire, 31 in West Germany also covering East Germany, Austria and Switzerland, and 17 in Sweden covering the Nordic countries. Aldus Europe covers France, Italy, Spain, Portugal, the Netherlands, Belgium and *Greece*.

"The UK is our largest market, but the French market is potentially larger. France is now the largest software market in Europe. We are also active in the Far East where we are delivering Kanji versions of PageMaker to the Japanese market.

"One of the things that distinguishes us as a company is our ability to create new markets. When we created PageMaker, we created an entirely new industry called desk top publishing.

"We are attempting to do the same thing with Persuasion, first on the Macintosh and later this year on the PC. We think that as people get to know this technology, they will find that it really has an impact on the way they do business."

Aldus Europe co-ordinates Pan-European relationships with value-added resellers (VARs) including IBM, Wang, Hewlett-Packard, Olivetti, Digital Equipment (DEC) and *Apple. It trades* in 13 European currencies and its products are available in 11 localised language versions.

"Desk top publishing and presentation software is only a part of what people buy," says Mr Derek Gray, managing director of Aldus Europe.

"*Over the past three years*, we have run a series of programmes across Europe. In the UK for example, we ran a desk top publishing week with IBM last year which was attended by over 8,000 people.

"We are currently running a presentation alliance in the UK with *Apple and 3M to take* desk top presentation out to the market in a series of roadshows. In Germany we ran a desk top publishing week with Apple on the same basis."

Aldus's latest Pan-European venture, Corporate Services, has been forged with Mecanorma, a *large type and graphics* company based in France which owns a number of type fonts, borders, and electronic "clip-art."

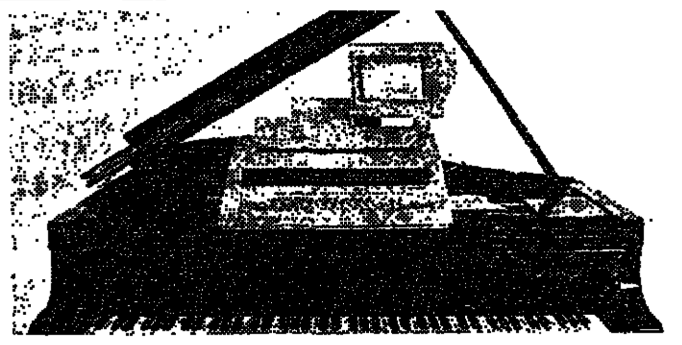
This will allow large corporate users to have their images, logos and designs scanned and digitised in high resolution *to turn them into* PostScript outlines. This will enable them to maintain their corporate identity

In addition, Aldus is training a number of major design companies in Europe to produce corporate identities using PageMaker and FreeHand, to allow them to deliver designs to their clients in an immediately usable form.

"The disadvantage of desk top publishing is that many people can do their own thing. Corporate Services aims to cultivate conformity," adds Mr Gray.

"This means that the end user can adopt our product and then use the template which has been produced by the design company in the full knowledge that it complies with corporate standards for type fonts, logos, size, spacing and various other design criteria."

Rank Xerox has ushered in a barely audible revolution. Its Xerox "Piano" Electronic Typing System, developed over four years for $40m and launched in March, generates low frequency sound so quiet that its printing blends into the office's background noise. Among Piano's optional features is a spelling checker in five languages,that not only finds mis-spelt words but suggests up to four similar words for replacement



Paul Abrahams says DIP is a cost-effective way of clearing the paper jam

How electronics can help to store information more efficiently

SPACE COSTS money. And paper – the medium most used by companies to store information – takes up lots of space.

With rents in the City of London reaching £50 a square foot, and with some companies finding that 25 per cent of floorspace is taken up by filing cabinets, the pressure on managers to deal with storage problems is growing.

A technological solution, available since the early 1980s, is now becoming a cost-effective method of clearing the paper jam. It is variously called Document Image Processing (DIP) or Electronic *Document Management* Systems (EDMS).

These systems are based on the simple premise that information can be stored and transmitted around organisations more efficiently by electronic means rather than by hand on pieces of paper.

They use proven technology including scanners, high resolution workstations, computer networks, together with microfilm and optical disks to archive the information.

Incoming mail is fed into scanners after which it is indexed and directed through the computer network to those delegated to deal with the contents. Each document can then be copied, amended and distributed within the organisation until all action has been taken and the item can be archived.

DIP suppliers have targeted a number of vertical sectors in a still immature market. These sectors include insurance, financial services, the aerospace and chemical industries, as well as central and local government – the introduction of the poll tax has stirred considerable interest in DIP systems.

So far, the range of European organisations adopting DIP has been impressive and includes British Airways, Western Provident Association, the Bristol-based health insur-

The introduction of the poll tax has stirred considerable interest in Document Image Processing systems

ance group, DHL, the international courier service and the Belgian police in Liege.

The benefits of such DIP systems include:

● Substantial savings in space. The police in Liege discovered that they were able to reduce their storage requirements by as much as 98 per cent after installing a system. The force needed access to 40,000 dossiers on 150,000 people and found the most effective method of archiving and retrieving this material was through a microfilm-based system supplied by Agfa.

● A reduction in time spent on searching for files. Dossiers are simultaneously accessible throughout the organisation at a moment's notice. There is no need to spend time searching for accurately filed documents. Nor is there a problem finding those mis-filed – estimated at about 3 per cent of all dossiers in large organisations.

The manufacturers of DIP systems argue that, because managers spend less time searching for files, their productivity will increase.

For example, Western Provident discovered that its highly paid specialists spent between a third to half of their time manipulating files rather than using their underwriting expertise. After installing a DIP system, the company expects to increase its staff retention and continue to attract highly skilled staff in the future because it can offer increased job satisfaction.

● Improved security of information and disaster recovery. Western Provident admits that its business is totally dependent upon information and without that information, the company would probably cease trading. With the new system, the information can be duplicated in compact form which can then be stored off-site. In the event of fire the business can now survive.

● Reduced costs on stationery and photocopying. Wang estimates that in a large organisation, the average piece of paper is photo-copied 19 times – often to avoid the risk of misfiling. Optical disk and microfilm technology avoids this problem.

Western Provident says that photocopying and paper are the company's third largest expense, and that one of the reasons for installing the DIP system was to reduce these costs.

● Improved control over headcount because of the greater efficiency offered by DIP. British Airways has recently installed a DIP system supplied by Wang to handle the management of its cabin staff. It believes that the system will allow the company to increase the number of cabin staff while keeping the same number of managers to deal with them.

However, suppliers of DIP systems believe that their most important benefit is the competitive advantage they can offer companies through more effective customer responsiveness.

British Airways says it will be able to respond much more quickly to customers after the installation of its new system. This has been installed to handle voyage reports, which are used to log incidents on flights, such as shortages of food, damaged interiors, spillages of coffee on passengers and customer complaints and compliments.

"One of the main benefits of DIP is that it allows us to avoid internal mail," says Mr David MacLeod, manager at the information management department at British Airways. "The internal mail system always used to be a good excuse for not getting things done."

Mr MacLeod explains that although the mail system was, on the whole, reliable, it could sometimes take between two and five days for files to arrive. When they had to be sent internationally, the delay could be weeks. Once the DIP system is linked up internationally, it will be possible to access files instantaneously, recording when they arrive in a basket and when they are viewed on screen.

Despite all these benefits, there are still some limitations and problems related to document image processing. DIP systems handle only images and not text. This means that although some systems are capable of handling written annotation and voice recordings, word processing of data entered through such systems is not yet possible.

There are also some technical problems to be overcome. This is particularly true with networks which used to handling small batches of data.

There have even been suggestions that one effect may be to remove the need for middle management

Image documents – which have a minimum size of 50 kilobytes – have a tendency to slow down networks, thus interfering with other functions.

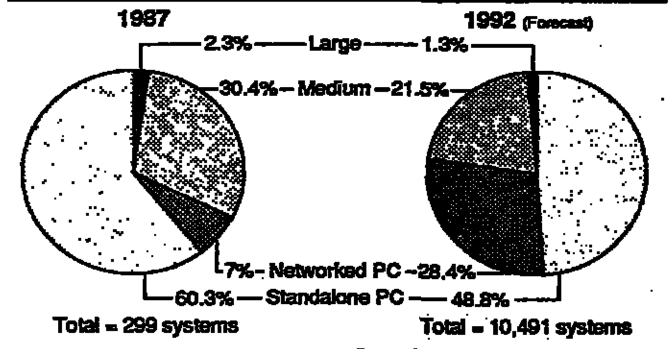
Moreover, there are organisational problems engendered by the installation of DIP. Consultants believe that some departments in organisations could become completely redundant.

There have even been some suggestions that one effect of DIP may be to completely to remove the need for middle management, which at present sorts and organises information for senior management, leaving organisations with only senior management teams and information workers.

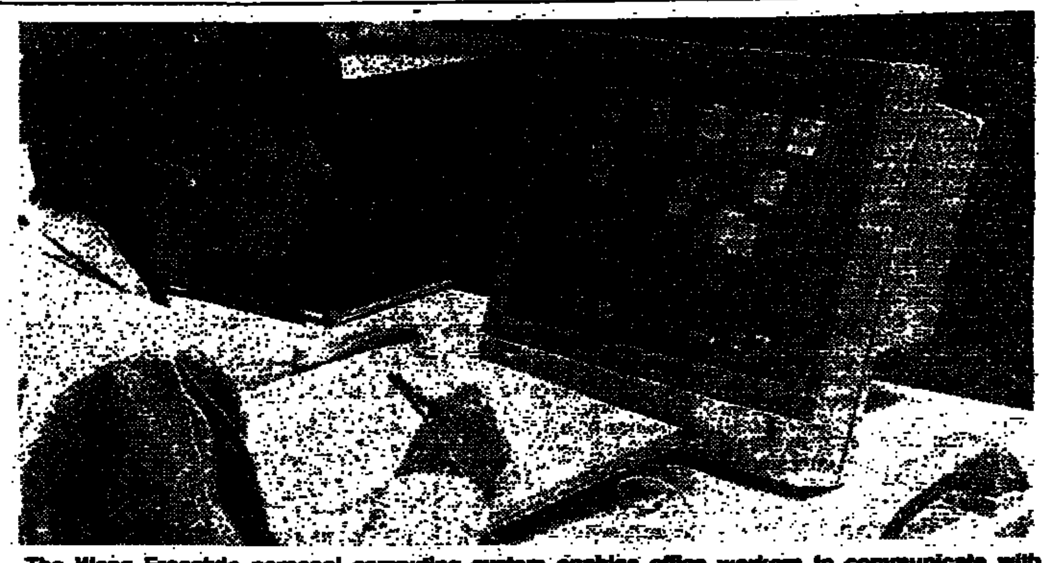
Finally, despite the potential savings offered by DIP, it is still expensive. The decision to instal can still be something of a matter of faith – not easy when a basic system costs about £170,000.

That decision could become easier as the prices of systems fall – a trend on which all manufacturers agree.

World unit shipments of DIP systems



Source: International Data Corporation, 1988



The Wang Freestyle personal computing system enables office workers to communicate with colleagues in separate locations. "It's as easy as picking up a telephone," says the company

Adrian Morant offers some advice on choosing a printer

Let's put it all in writing

AS THERE is no such thing as the perfect universal printer, an understanding is needed of the various technologies to select the one that best matches the requirements: quality of print, speed, noise, choice of type styles and sizes as well as, ideally, graphics; plus being able to handle multi-part forms. In addition, it must be compatible with the software with which it will be used.

At one time daisy-wheel printers were the only choice – the appearance of dot-matrix print generally being inadequate. Unfortunately, while they give a sharp, clear-cut image, that is restricted to the character set on the installed daisy wheel. This is in contrast to the dot matrix where, characters being built up of individual dots, the machine is far more versatile. Not only can it print a far wider range of symbols and characters, but it generally offers a wider range of character sizes.

In the early dot matrix machines a single pass of the 8 or 9 needle printhead produced an obviously "computer" output. An immense improvement resulted from the printhead making a second pass, fractionally offset from the first so as to generate characters with a more satisfactory shape as well as causing the individual dots to overlap and merge. This provided near letter quality (NLQ).

Even greater improvements have come from laser, liquid crystal shutter and other technologies which have emerged and, with the improved dot matrix printers, have all but superseded daisy wheels.

Today, even low-cost machines can produce very acceptable results. For example, Mannesmann Tally, which claims to be Europe's largest printer maker with the widest product range, has recently entered the very cost-conscious end of the market. Its MT81 80-column dot matrix printer has a print speed of 130 characters per second (CPS) draft and 26 in its NLQ mode, and is designed for workloads of up to 2,000 pages a month. It can print at 10, 12, 17.1 and 20 characters an inch.

It is claimed to have improved print quality

Not only must one buy ribbons but the toner has to be replenished and the drum replaced

through the use of square instead of round dots in the 9-pin printhead. It has a paper parking facility which enables a user to switch from fan-fold to cut-sheet stationery and back again without manual re-loading of the tractor feed. Being physically small in size, and priced at only £149, it will be widely purchased to allow printing to be carried out where needed rather than via a shared departmental printer.

At a commensurately higher price, dot matrix printers have been developed using 18 or 24 needles which achieve even better quality with just a single pass. This trend has been taken even further by Epson, the world's largest printer manufacturer, which claims 40 per cent of the European market. It has just added a 48 needle unit to its range. This has a resolution of 360 x 360 dots/inch (better than the 300 x 300 of a laser printer). However, with a list price of over £2,000 it is aimed at those companies which need the high quality and the ability to handle multi-part continuous stationery.

Laser and similar machines are page printers in contrast to dot matrix and daisy wheel machines which print character-by-character. That is, the printer receives all the information relating to an entire page before it commences its own internal computation. When it has completed this, its "engine" prints the entire page, using technology similar to that used in photocopiers.

Laser printers, unlike impact printers, accept only cut sheets of paper, even though some makers do offer a special feed facility for envelopes. This, and their complexity and higher cost of operation, are disadvantages. Not only must one buy ribbons, but the toner has to be replenished and at intervals the drum must be replaced.

Nevertheless, laser printers enjoy wide popularity in business because of their speed of six or more pages a minute and low noise. Also, they offer the flexibility needed by today's trend towards desk top publishing (DTP). Hewlett-Packard's Laser Jet II sets the standard for laser printers. Virtually all others include it among their emulations, and virtually all software packages incorporate it within their list of printer drivers.

Thus is overcome the problem of printers from different manufacturers using incompatible command languages. An even more powerful solution is a page description language (PDL) such as PostScript. But it has the drawback of requiring large amounts of expensive memory and, being a comparatively recent innovation, not all programs incorporate the appropriate "driver". This crucial factor is easily overlooked.

PDLs describe how the printed page should look – what text should appear (and in what font and size), plus the illustrations together with any lines that should be drawn. Obviously, it is a particularly important factor with desk top publishing (DTP) packages such as Ventura or PageMaker.

The versatility of these page printers is increased by the variety of font styles and sizes that they are able to employ. Some are integral and supplied with the machine with additional ones being external and either incorporated in plug-in cartridges or "downloaded" into the machine from the computer to which it is attached. A growing variety of fonts and sizes in English and other languages are being developed. As these fonts are not generally printer-dependent, they enable the user to make a more secure investment.

Fontware, which claims to be the leading digital type foundry in Europe for computer and printer applications, as well as offering a wide range of standard and customised fonts, is able to provide customised facilities to meet specific needs such as logos and signatures. This latter can take a burden from a senior executive who must give his "personal" attention to correspondence while a high quality unique type style can enhance corporate image.

Innovations which could well have a major impact on printer technology are ink-jet and liquid crystal shutter (LCS) machines. The former, as its name implies, squirt small dots of ink at the paper and are almost silent in operation. Prices are competitive with Sharp offering its JX-720 colour printer at £1,300.

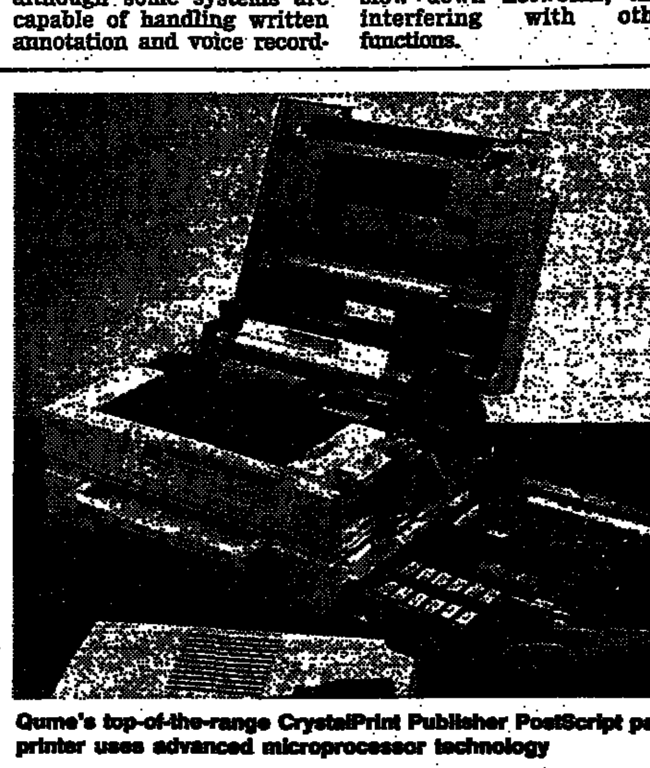
Qume's CrystalPrint machines are based on LCS technology. This uses, instead of the lenses and rotating mirrors of a laser printer, a powerful halogen light bulb which is shone through an array of liquid crystal shutters to control the portions of the photo-sensitive drum which are to be exposed to the light. Thus an image is formed across the width of the page at one go.

The company has recently added a CrystalPrint Publisher PostScript page printer to its range. It uses advanced microprocessor technology which is claimed to result in much faster page "computation" than normal Postscript laser printers.

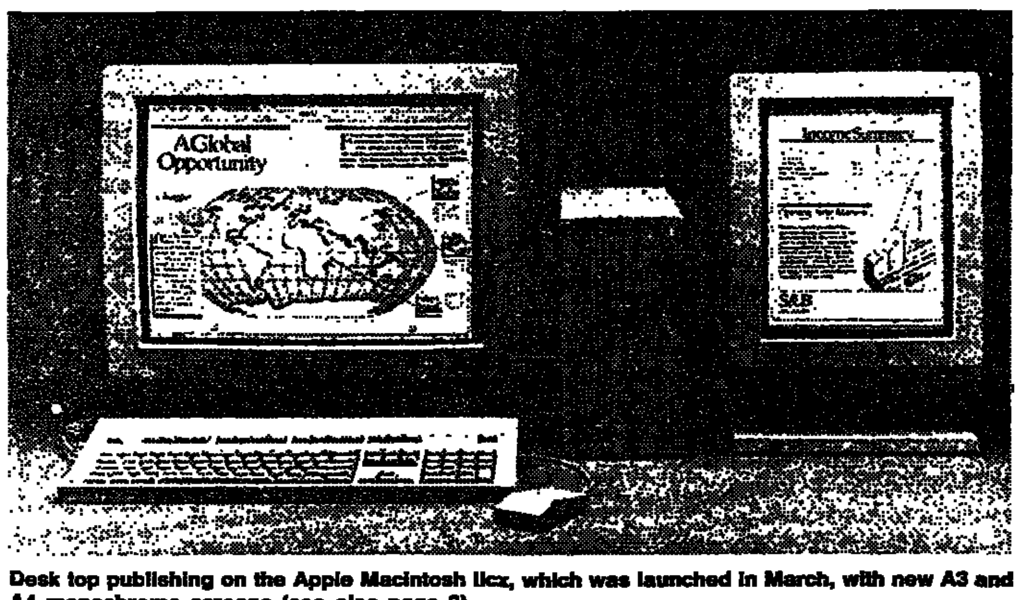
In addition, the design is such that any product in the range can be upgraded by simply changing the controller board. This enables the purchaser of the low-cost text editing printer, the CrystalPrint WP, to upgrade to the Series II machine (which emulates a Laser Jet II) or to the Publisher specification when the need arises.

As well offering the same 300 DPI resolution in a smaller size unit than laser printers, Qume claims that running costs are only 1.8 p a page compared with the 2.5p a page of a laser printer. Hence CrystalPrints could well fall within the budget of the small office or even the professional operating from home.

Recently National Semiconductor announced an enhanced Embedded System Processor which has been tailored to the needs of the printer/imaging applications. As NS designs products to a Canon specification (and the Canon engine is the basis for H-P and other laser printers) we can shortly expect to see new generation laser printers offering improved price and performance.



Qume's top-of-the-range CrystalPrint Publisher PostScript page printer uses advanced microprocessor technology



Desk top publishing on the Apple Macintosh IIcx, which was launched in March, with new A3 and A4 monochrome screens (see also page 3)

Mannesmann Tally's MTB1 dot matrix printer, priced at £149

The long-term impact of electronic data interchange

Business will be done in a different way

THE TELEPHONE is not a mechanism for cutting the cost of messengers, although it was seen as such by some at the time of its invention. Indeed, there is an apocryphal story of how the head of the British Post Office dismissed the new-fangled invention, saying there would always be plenty of boys to carry as many messages as people could possibly ever want to send.

Of course, we now know that the telephone has revolutionised business and social communications. The availability of high speed, low cost communications has meant that people are talking to each other much more than the postman ever dreamed possible.

Similarly with electronic data interchange, an embryonic but fast-growing form of paperless trading which allows companies to send each other documents over the telecommunications network. The most obvious benefit of EDI is that it will help companies to reduce the stationery and labour costs of sending each other millions of paper documents – orders, invoices and so forth – each year.

And, indeed, the prospect of cost savings has been responsible for attracting many of the pioneers of EDI to the service. In the US and in the UK – the only two countries where EDI has so far made any noticeable impact – the first companies to use the service were in the automotive and retailing industries, where the need to cut the costs of pushing masses of paper is particularly great.

However, as the industry develops and grows, it is

Automotive and retail companies were first to use the service

already becoming clear that the principal long-term impact of EDI will be to change the way business is done rather than cut costs. EDI has "the opportunity to revolutionise the logistics of business," says Mr Lee Tate, managing director of INS, owned by ICL and GE Information Services, and one of the UK's two leading EDI service providers, with 1,200 companies using its network.

EDI is still used mainly by customers sending orders to their suppliers and the suppliers sending back invoices in return.

However, EDI can be used for sending any type of structured document. The use of the word "structured" is important, because this is what differentiates EDI from electronic mail, which is used to send unstructured messages. A specific format or structure is needed so that the company receiving the message knows that it is an order, invoice or whatever and can act on it accordingly.

One challenge of EDI service providers is to extend it into aspects of trading relationships other than ordering and invoicing. There are signs that this is already beginning to happen.

If companies are ordering and invoicing electronically, why do they not complete the transaction and pay for the goods electronically?

In one sense, the banking community has had its own EDI networks for some time. For example, there is the UK's BACS system, under which most people's salaries are paid electronically into their bank accounts at the end of the month, and there is the SWIFT system for international inter-bank transfers.

The next step will be to merge the payment function of the banking networks with the ordering and invoicing functions of the EDI networks. The way in which this merging of functions will be done, however, will impact the competitive positions of players in the market.

One alternative in the UK, which has now been rejected, was to link the BACS network with the network provided by Istel, a leading EDI provider with 900 corporate customers. The banks which run BACS as a co-operative apparently decided they preferred to pursue separate initiatives rather than pool their efforts.

Other alternatives would be for individual banks to form joint ventures with the EDI service providers, or for individual banks to try to set up their own services. Both these possibilities are being considered, and the likelihood is that some banks will choose the first option and others the second.

EDI is also starting to be used by suppliers to alert their customers of stock availability and in order to exchange data on the design of products.

For example, Eros, a UK company owned by Polygram and EMI, the record companies, has started supplying record shops with an electronic copy of the hit parade and updates of stock availability. Demand for titles changes from week to week and this could enable record companies to react more quickly.

Similarly, some US companies are now exchanging designs for new products electronically, by linking their computer-aided design systems. Such a move could theoretically cut down dramatically the time for designing new products, so improving responsiveness to the market.

Again, the impact is likely to be greatest in industries – such as clothes retailing –

Its role should be to speed up trading relationships

where product life is short.

One of the obstacles to a faster dissemination of EDI services is the proliferation of different, incompatible networks. As with any telecommunications service, the more people who are linked to a particular network, the more attractive it is to use. However, the various national and international markets are still fragmented, meaning that subscribers to one network cannot always communicate with those on another.

Initiatives are under way to remedy this drawback. For example, last year the United Nations backed EDIFACT, a standard format for EDI documents, as an international standard. If all service providers adopted this, there would be no technical reason why their networks could not communicate.

Progress could always, however, be delayed for competitive reasons. As Mr Tate puts it: "If you have the largest share of the market, why you would want to connect to a smaller share of the market is not clear." Even so, INS and Istel have recently agreed to link their networks.

Although use of EDI may give companies a short-term competitive advantage by allowing more efficient and imaginative trading relationships, it is not clear how this could last in the longer term. As with the telephone, once EDI reaches a certain critical mass, every company will begin to use it, so eliminating competitive advantage.

EDI's eventual role therefore seems to be one of streamlining and speeding up trading relationships throughout the economy. In the process, many of the people who are now pushing paper in offices will undoubtedly need to be given different jobs. But, argues Mr Tate: "I don't think there is *anything particularly* ennobling about people putting letters into envelopes."

Hugo Dixon

Keeping tabs

Continued from Page 1

computers, local area networks and fourth generation languages have become part of the computing landscape.

Finally, desk top publishing. Text generated on a personal computer can be added to graphics using special software before being printed out using a laser printer as pages virtually identical to those achieved by traditional print setting techniques.

DTP began to take off in 1984 as a result of three developments – the launch of the Apple Macintosh which, with its powerful ability to handle images, is an ideal publishing workstation (Macintosh-based DTP software took 78 per cent of the UK market in 1988 according to the marketing consultancy Romtec), the launch of Hewlett Packard's Laserjet printer, the first of the affordable laser printers, and the "PageMaker" software from Aldus.

What all of these technologies have in common is the handling of image in digital form – in computer language.

Digital images can be made to perform any number of tricks by a computer – the use of image processing in business, however, has been dictated by the development of cost effective peripherals – compact disk players, laser printers and scanners. Now these devices are freely available, document processing seems set for dramatic growth.

APPOINTMENTS

New chief for Channel tunnel company

Mr Jack Lemley, a leading US engineer, has been appointed chief executive of TRANSMANCHE LINK, the Anglo-French contractors building the Channel tunnel, writes *Andrew Taylor, Construction Correspondent*.

The move is part of a series of management changes at Transmanche and Eurotunnel, the publicly quoted company which will operate the tunnel the tunnel, when it opens in 1993.

Relationships between Eurotunnel and its contractors became strained last year contributing to the management changes and a revised construction agreement announced earlier this year.

Mr Lemley, 54, previously has been a vice president at Morrison-Knudsen, the large US-based construction group, where he was general manager of the large King Khalid military city project in Saudi Arabia. He has wide experience of tunnelling.

Management changes at Transmanche have included the appointment as chairman of Mr Phillipe Essig, a former chairman of SNCF, the French state-owned railway. Mr Andrew McDowall, previously chairman and chief executive, has become deputy chairman.

Mr Francois Jolivet, director general in charge of French construction operations, has also decided to leave Transmanche and rejoin his company, Spie Batignolles, one of the founding shareholders of the Channel tunnel project.

Mr Tony Ridley, former chairman of the London Underground, was appointed joint managing director of Eurotunnel at the beginning of this year. Mr Alain Bertrand, a former executive of SNCF, was appointed joint managing director in charge of developing the railway system which will run through the tunnel.

Mr John Sharpley (*above*) has been appointed managing director of CHAMPION SPARK PLUG CO for the UK and Eire. He was chairman and managing director of Spectra Brands. He succeeds Mr Bill Graham who has become vice president of Champion's Asia Pacific region, based in Singapore.

■ On August 10 Mr Tom Robson will succeed Mr John Marvin as chief executive of HICKSON INTERNATIONAL. Mr Robson has been an executive director of Hickson International since 1983 and has specific responsibility for the group's inorganics division. Mr Marvin will become deputy chairman until the annual meeting in April 1990, when he will succeed Mr Melvyn Hopley as non-executive chairman.

■ Mr A.S. Bell, managing director of Standard Life, has been elected a director of SCOTTISH FINANCIAL ENTERPRISE.

■ EUROFI has appointed Mr Frank Brown to the board. He is managing director of the SME Services division.

■ Mr Frank Strickland, executive deputy chairman of the North of England Building Society, has been appointed chairman of the council of THE BUILDING SOCIETIES ASSOCIATION.

■ Mr Michael Newman has been appointed a regional director of the international division of PRUDENTIAL CORPORATION, responsible for business development in South East Asia. He was chief executive and financial director of Britannia Arrow Holdings.

■ Mr Brian Curle has been appointed joint managing director of R. & W. SCOTT, Carluke, Lanarkshire, maker of Scotbloc cooking chocolate. He was marketing director.

■ Mr Graham White is to become managing director of James Neill Tools and join the board of JAMES NEILL HOLDINGS on May 28. He is managing director of Pegler, part of the F.H. Tomkins Group.

■ Mr William R. Richards has been appointed managing director of DEUTSCHE BANK CAPITAL MANAGEMENT INTERNATIONAL. He was executive director of Sun Life Investment Management Services.

■ THE HONGKONG AND SHANGHAI BANKING CORPORATION has appointed Mr Philip Davies as chief strategic position taker in the treasury division. He joins from Bankers Trust, where he was responsible for major position taking.

DOMINO PRINTING SERVICES has appointed Mr Gerald L. Dennis (*above*) as non-executive chairman. He is a deputy chairman of B.A.T. Industries, and non-executive chairman of Parker Pen Holdings. Mr Alan Barrell, who was both chairman and managing director, now becomes group chief executive.

UK COMPANY NEWS

Tubular Exhibition rights to raise £3.5m

By David Waller

TUBULAR EXHIBITION, a manufacturer of hospitality chalets and crash barriers, is raising £3.5m net by way of a one-for-two rights issue. Of this, £2.62m will spent on acquiring Black and Edgington from Trusthouse Forte and the balance used to cut borrowings.

The new shares are being issued at 21.5p each, compared with Friday's closing price of 23½p.

Turnover for Edgington amounted to £7.76m in the year to the end of October 1988 with pre-tax profits of £614,000. It hires marquees and canvas for special occasions, and provides temporary buildings for events such as the Farnborough Air Show and Wimbledon.

Tubular also announced its interim results. For the six months to the end of January, the company made pre-tax profits of £541,000 on turnover of £2.78m, up from £328,000 on £2.05m in the 10 months to the end of January 1988.

Earnings per share for the half year rose to 0.77p (0.58p).

Royal Sovereign £2m acquisition

Royal Sovereign Group, the graphics and stationery distributor formerly known as Abelscot, has conditionally acquired Papergraphics, a Sussex-based paper and film supplier, for £1.95m via the issue of 1.1m new ordinary shares.

The acquisition will help Royal Sovereign introduce additional products to the computerised drawing office market. Papergraphics made profits of £279,000 pre-tax on turnover of £2.22m for 1988.

Mr Tim Seymour, a corporate financier, was appointed chairman of Royal Sovereign at Friday's annual meeting.

FT Share Service

The following securities were added to the Share Information Service in Friday's edition:

Davenport Vernon (Section: Motors-Garages).

LETINVEST 10¼-11¼% Stppd. Db. 2012 (Property).

Lambert Howarth hits out at Peter Black approach

By John Ridding

LAMBERT HOWARTH, the footwear and luggage group, has firmly rejected the £9.3m bid approach from Peter Black, the consumer goods manufacturer and distributor, as unwelcome and inadequate.

In the company's defence document, Mr Martin Jourdan, chairman, said a revaluation of certain of Lambert's assets had yielded a net asset value of 207p per share, far in excess of the offer from Peter Black which valued the shares at about 165p. Lambert's shares closed 4p down on Friday at 191p.

The restated asset value included a revaluation of the company's property in London and the north of England. It also reflected Lambert's decision to account for its 30 per cent holding in Valley Supply, a supplier of footwear components, as an investment in an associated company rather than taking it in the books at cost.

Mr Jourdan described Peter Black's approach as "an opportunistic attempt to take advantage of Lambert Howarth's current recovery following its only year of loss".

He added that management restructuring and other remedial actions had brought the group back on course and that "meaningful profits were expected in the current year". In 1988 Lambert incurred losses of £615,000 compared with profits of £2.12m in 1987.

Peter Black said it was "unimpressed by the defence document". Mr Stephen Lister, finance director, said there was no mention of the commercial nature of the deal and that they would be looking in detail at the asset revaluation.

He said that Peter Black continued to regard its offer as generous in that it was 31 per cent higher than Lambert's share price immediately before Futura Holdings, a footwear and rubber compounds manufacturer, took a 5.6 per cent stake early in April.

Peter Black repeated its contention that it could provide better management of Lambert's assets and that the combination of the two companies would permit economies of scale.

Buy-in at Wimpey offshoot

By John Ridding

GEORGE WIMPEY, the construction group and Britain's second largest housebuilder, has disposed of Wimpey-Dubilier, a subsidiary which manufactures electrolytic capacitors and other lectronic components, through a management buy-in for £3.2m.

Ecsys, the management company through which the deal was effected, is headed by Mr Jo Rawicz-Szczerbo, former director of MK Electric Group, and includes two existing executive directors of Wimpey-Dubilier. The deal was underwritten by Lloyds Development Capital.

Mr Rawicz-Szczerbo said that Ecsys was formed around nine months ago with the aim of developing a group of co-ordinated companies supplying a range of passive electronic and electro-mechanical components. He said that there was continuing expansion in the market for electronic, rather than mechanical, controls in industry.

The expansion of Ecsys is to be achieved through the acquisition and development of small to medium sized companies. The intention is to float the company within three to five years.

Wimpey said the disposal reflects its current strategy of focussing on its core business areas – housing construction, minerals and property. It has no other subsidiaries in this area.

Wimpey does not break down profits for subsidiary companies but said that Wimpey-Dubilier returned record profits in 1988.

BTS expands computers

By Clare Pearson

THE NEW management at BTS Group, the USM-quoted remoulded tyres and batteries concern, is moving ahead into the office services market with the purchase of Micro Marketing, a mail order supplier of computer equipment.

The acquisition, costing up to £2.5m in shares, follows the February purchase of Hiclon, a supplier of computers, photocopiers and facsimile machines for a maximum of £5m.

Mr Michael Scorey and Mr Janusz Heath took control at BTS at the end of last year under a management buy-in. Pre-tax profits for the original activities fell by nearly a quarter to £81,000 in the six months to September 30 1988.

Three-year-old Micro Marketing claims about 1,200 active customers for its micro computers, printers, software packages and computer supplies. It is expected to benefit from being run alongside Hilcon.

Initial consideration is £1m with the balance depending on profits in 1988 inb the year to December 31. In its last financial year, it made £300,000 pre-tax on sales of £3.77m. Net assets are about £277,000.

Highcroft Trust up 16% at £0.6m

Highcroft Investment Trust, the financial trust holding both property and stock exchange securities, lifted pre-tax profits 16 per cent in 1988. The taxable advance, from £529,000 to £612,000, was struck on turnover raised from £614,000 to £697,000.

After tax of £195,000 (£117,000), earnings came out at 7.69p (6.48p). The final dividend is increased to 1.75p (1.6p) to make 2.95p (2.7p) for the year.

At year-end free and leasehold properties were revalued at £11.28m. The ensuing surplus of £1.81m over book value was transferred to the revaluation reserve.

Bowater's interest in Chamberlain now 24%

By Philip Coggan

BOWATER Industries, the packaging and industrial products group, has increased its stake in Chamberlain Phipps, the shoe components and adhesives group, to 20.5 per cent.

Together with acceptances, that gives Bowater, which is bidding cash, around 24 per cent of Chamberlain compared with the 17.1 per cent pledged to rival all-share bidder Evode, the plastics and chemicals group. The Chamberlain board announced last Thursday it was recommending the Evode offer.

Meanwhile, Evode spelled out the £3.5m of rationalisation benefits it claimed would result from the Chamberlain merger. It said that Chamberlain sites would be used more efficiently, some manufacturing operations would be relocated, and the head offices would be integrated.

Wertheim Schroder buys more BMP

With Boase Massimi Pollitt, the UK-based advertising agency group which is fighting a £103m hostile bid from the French BDDP company, due to unveil its 1988-89 profits today, Wertheim Schroder has revealed that it had acquired another 250,000 shares in the target company.

This lifts the stake held by Wertheim, the US investment banking arm of Schroder, to 1.575m shares or 4.6 per cent. In its disclosure statement, Wertheim again stated that the shares had been acquired on behalf of discretionary clients.

It paid between 320p and 321p – well above the 300p-a-share cash offer from BDDP.

Newarthill sale

Newarthill, the quoted holding company for Sir Robert McAlpine & Sons, the civil engineer, has sold its 14.6 per cent stake in Whessoe, the pipework maker and process plant contractor.

Whessoe said the shares had been sold in the market to a number of institutions.

LEGAL APPOINTMENTS

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	49.67	50.18	53.38	5.17	40000
Gilts & Fixed Int	6	112.3	112.3	119.3	8.36	40001
High Inc Equity	6	134.6	134.7xd	143.2	[illegible]	40002
Worldwide Bond	6	187.0	187.0xd	195.2	[illegible]	40003
Capital Growth						
American Growth	6	169.1	171.1	182.0	1.36	40004
Asian Pacific	6	97.33	99.36	105.70	0.60	40005
Assets & Earnings	6	158.6	162.7xd	173.0	1.50	40006
Capital Reserve Acc	0	84.49	84.49	84.71	[illegible]	40007
Comdty & Energy	6	97.23	97.23	104.00	1.01	40008
1992 Enterprise	6	56.68	57.72	61.40	[illegible]	40597
European Capital	6	81.91	82.49	87.75	0.85	40009
General	6	175.5	175.5	187.8	2.40	40010
Japan	6	109.6	111.4	118.5	0.00	40011
Mastertrust	6	83.32	83.32	89.12	1.60	40012
UK Growth Acc	6	198.9	199.9	212.3	1.06	40013
UK Growth Dist	6	132.6	132.6xd	141.9	1.59	40014
US Emerging Cos	6	50.48	52.06	55.39	0.00	40015
Income & Growth	6	288.3	292.3xd	308.4	3.32	40016
Ethical	6	48.71	49.91	53.09	2.35	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	28.30	28.30xd	30.22	3.97	40419
European	5½	59.39	59.52	63.54	0.00	40025
European Income	5½	58.92	58.92	62.90	3.47	41377
Exempt	1	795.0	795.0xd	929.7	2.41	41379
Extra Income	5	43.04	43.04	45.95	5.09	40001
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 [illegible]						
Sm Dsd Gilt & FI	1½	52.82	52.82	53.61	2.94	[illegible]
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green W12 8SD 01-740 [illegible]						
UK General Tst	5½	54.29	55.20	59.04	2.70	[illegible]
Global Tst	5½	42.95	43.02	46.01	2.30	[illegible]
Recovery Tst	5½	54.68	57.24	60.85	1.92	[illegible]
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01-234 [illegible]						
Growth Fd Acc	5	107.4	108.9xd	114.9	3.25	[illegible]
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 [illegible]						
CS America	5	55.69	55.69xd	59.24	0.56	[illegible]
CS International	5	54.34	54.34xd	57.80	1.86	[illegible]
CS Japan	5	123.9	123.9	131.8	0.33	[illegible]
CS Portfolio Inv	5	70.20	70.20	74.68	3.70	[illegible]
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 5[illegible]						
Can Gen Dist	5	138.6	143.7	151.3	3.06	[illegible]
Do Gen Accum	5	231.2	239.7	252.3	3.06	[illegible]
Do Income Dist	5	93.61	97.42xd	102.5	5.44	[illegible]
Do Inc Accum	5	214.4	223.2	234.9	5.49	[illegible]
Gilt & Fxd Int	5	36.58	36.67	38.60	8.32	[illegible]
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way Wembley, HA9 0NB						
01-902 8876 Dealing 0900 28[illegible]						
Growth	5¾	38.19	38.76	41.23	2.49	[illegible]
Income	5¾	47.58	48.21	51.56	4.03	[illegible]
Far East	5¾	36.44	37.10xd	39.47	0.05	[illegible]
North American	5¾	31.78	32.21xd	34.37	2.09	[illegible]
Global	5¾	50.98	51.95	55.27	1.77	[illegible]
European	5¾	49.25	50.08xd	53.28	1.01	[illegible]
Japan	5¾	102.3	104.0	110.6	0.01	[illegible]
Intl Currency Bd	5¾	41.38	41.88xd	44.41	6.75	[illegible]
Strategic Opps	5¾	53.82	55.35xd	59.20	1.27	[illegible]

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Contrl & Equity	5	62.94	65.04	69.24	6.94	41599
European	5	63.36	63.49	67.54	0.12	[illegible]
Far Eastern	5	61.39	61.39	65.30	0.80	[illegible]
Growth Inc	5	90.19	93.20	99.15	1.38	41600
Growth Acc	5	90.19	93.20	99.15	1.38	—
Income Inc	5	82.57	84.27	89.65	3.46	41601
Income Acc	5	82.57	84.27	89.65	3.46	—
Property Share	5	55.01	55.01	58.63	1.04	[illegible]
Smaller Co's	5	59.60	62.75xd	66.75	1.40	[illegible]
Formerly EBC Trust Managers Ltd						
Nth American	5	57.13	57.13	61.09	1.73	41209
International	5	45.60	45.60	48.75	1.47	41210
Wright Seligman Fund Mngrs Ltd (1800)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	99.36	99.36	104.56	3.92	[illegible]
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.28	65.66	69.85	2.79	[illegible]
YOTM US Eqty Inc Tst	5¼	60.41	62.45	66.44	4.61	[illegible]
YOTM Ind Grwth Tst	5¼	48.36	48.36xd	51.69	1.07	[illegible]

OTHER UK UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Baillie Gifford & Co Ltd						
Int'l Exmpt Apr 19			451.9	470.5	—	40025
Cent. Bd. of Fin. of Church of England						
2 Fore Street, London EC2Y 5AQ 01-588 1815						
Inv Fund Apr 30			507.65		4.67	40251
Fxd Int Sec Apr 30			141.15		10.13	40252
Deposit Apr 30			100.00		12.45	40253
Charities Official Invest. Fund						
2 Fore Street, London EC2Y 5AQ 01-588 1815						
Income Apr 30			480.64		4.97	40258
Accum Apr 30			1579.44		—	40259
Edinburgh Fund Mngrs PLC						
Exempt Funds						
American May 3			131.1	134.7	1.68	[illegible]
Managed May 3			[illegible]	[illegible]	2.13	[illegible]

[illegible]

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	258.7	272.4	—	41723
Equity Acc	836.9	881.0	—	41724
Property Acc	488.6	514.4	—	41725
Far East Acc	203.9	214.7	—	41726
European Acc	21.6	22.8	—	41727
Managed Acc	660.6	695.4	—	41728
Managed Cap	375.6	395.4	—	41729
O'seas Earnings Acc	357.5	376.9	—	41730
Gilt Edged Acc	313.7	330.3	—	41731
American Equity Acc	429.4	452.0	—	41732
American Man. Acc	199.7	210.3	—	41733
American Prop Acc	140.8	148.3	—	41734
Pen F.I. Dep. Cap	285.0	300.0	—	41735
Pen F.I. Dep. Acc	486.4	512.0	—	41736
Pen. Prop. Cap	372.9	392.0	—	41737
Pen. Prop. Acc	1077.4	1134.4	—	41738
Pen. Man. Cap	810.5	853.0	—	41739
Pen. Man. Acc	1526.4	1606.8	—	41740
Pen. Gilt Edg. Cap	319.9	336.6	—	41741
Pen. Gilt Edg. Acc	486.4	512.0	—	41742
Pen. Eq. Cap	1329.7	1399.7	—	41743
Pen. Eq. Acc	1898.4	1998.4	—	41744
Pen. Am. Eq Cap	138.6	145.9	—	41745
Pen. Am. Eq Acc	166.7	175.5	—	41746
Pen. Far East Cap	245.2	258.2	—	41747
Pen. Far East Acc	298.7	310.7	—	41748
Pen. Euro Cap	24.6	25.9	—	41749
Pen. Euro. Acc	26.6	28.0	—	41750
Pen. B.S. Acc	532.9	560.6	—	41751
Pen. B.S. Cap	320.4	336.5	—	41752
Pen. D.A.F. Acc	372.9	372.9	—	41753
Pen. D.A.F. Cap	252.1	252.1	—	41754
Pen. Mortgage Cap	143.4	151.0	—	41755
Pen. Mortgage Acc	172.6	181.7	—	41756
Barings Funds				
Pen Eqy Cap	27.9	29.4	—	46176
Pen Eqy Acc	28.9	30.5	—	46177
Pen Am Eq Cap	30.2	31.8	—	46178
Pen Am Eq Acc	31.3	33.0	—	46179
Pen Far East Cap	30.6	32.3	—	46180
Pen Far East Acc	31.8	33.5	—	46181
Pen Euro Cap	33.0	34.8	—	46182
Pen Euro Acc	34.2	36.1	—	46183
James Capel Funds				
Pen Eqy Cap	28.5	30.1	—	46184

[illegible]

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,400	Treas 10½pc 1989	99¾	12.31	7.11	14Dec 14Jun	1287
2,400	Exch.10pc 1989	99	10.28	28.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99	12.15	20.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	97¼	10.10	9.3	15Apr 15Oct	1329
174	Exch 10¼pcCv '89	99¼xd	11.08	10.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	100	11.82	9.12	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	99	11.78	6.1	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	100	11.91	13.2	22Sep 22Mar	1262
550	Treas. 3pc 1990	93xd	9.57	3.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	96½	11.71	8.11	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990‡‡	96½	11.17	12.12	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	97¼	11.67	20.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	90¾xd	9.34	17.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	100	11.52	5.12	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	91¼	10.63	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	88¼xd	9.29	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	97	11.26	6.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	99½	11.36	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92xd	11.31	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	103	11.01	16.12	22Jul 22Jan	1297
1,600	Treas 10pc 1992	97	11.07	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992‡‡	92	11.06	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98xd	11.01	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	84¾xd	8.86	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	103	11.04	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	106	10.97	13.2	22Mar 22Sep	1266
950	Treas 8¼pc 1993	92	10.83	17.1	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	97¼	10.69	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	105	10.78	8.12	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	85	10.01	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	110xd	10.73	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	91	10.72	28.12	3Aug 3Feb	–
600	Treas 14½pc 1994‡‡	114	10.56	23.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	110	10.75	21.3	27Oct 27Apr	1267

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,400	Treas. 10pc Ln. 1994‡‡	97¾xd	10.54	3.5	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	106	10.73	16.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	93¾xd	10.50	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	105	10.68	19.12	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	76xd	8.20	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	98	10.57	15.12	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	110xd	10.53	10.4	15May 15Nov	1298
900	Treas. 14pc '96	115	10.68	16.12	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	94	10.15	6.2	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	122	10.58	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	113xd	10.55	10.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	98xd	10.39	10.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	114	10.48	16.12	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	100	10.39	16.1	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	92	10.18	23.1	1Mar 1Sep	1341
1,000	Exch 15pc 1997	124¾	10.56	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	97½	10.25	13.12	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	81xd	9.83	28.3	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	130¼	10.37	21.2	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	109¾xd	10.34	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	97	9.98	9.12	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	111¼	10.32	17.2	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	101xd	10.21	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	100xd	10.19	17.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	90	9.91	22.12	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	93¾	9.94	25.1	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	117¾	10.30	8.12	14Jan 14Jul	1299
1,050	Treas 10pc 2001	99¾	10.01	20.1	26Aug 26Feb	1280
1,250	Treas. 14pc '98-01	128xd	10.49	17.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	98	10.01	4.1	10Feb 10Aug	1248
1,600	Exch. 12pc '99-02	109	10.34	16.12	22Jul 22Jan	1261
716	Conversion 10pc 2002	100	9.87	6.3	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	99	9.85	23.1	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	94¼xd	9.77	12.4	19May 19Nov	1272
2,800	Treas. 13¾pc 2000-03	122	10.34	19.12	25Jan 25Jul	1303
1,000	Treas 10pc 2003	101	9.76	30.1	8Mar 8Sep	1281
1,900	Treas. 11½pc 2001-04	109¼	10.14	10.2	19Sep 19Mar	1290

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
900	Treas. 10pc 2004	102xd	9.65	11.4	18Nov 18May	1282
443	Funding 3½pc '99-04	57¾	8.52	8.12	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	99	9.57	20.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	99	9.54	13.3	18Oct 18Apr	1247
1,050	Exch.10½pc 2005	107	9.53	13.2	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003-05	120¾xd	9.81	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002-06‡‡	87¾	9.46	1.3	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	102¼xd	9.47	10.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003-07	114	9.79	16.12	22Jul 22Jan	1293
1,446	Treas 8½pc 2007‡‡	92	9.32	12.12	16Jan 16Jul	1339
1,250	Treas. 13½pc '04-08	129½	9.72	17.2	26Sep 26Mar	1301
1,800	Treas. 9pc 2008‡‡	97	9.27	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	89	9.19	16.2	25Mar 25Sep	1336
369	Conv 9pc Ln 2011‡‡	98	9.17	6.12	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008-12‡‡	66	8.99	1.2	10Mar 10Sep	1330
700	Treas. 7¾pc 2012-15‡‡	86	9.09	20.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13-'17	127½	9.16	7.11	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43¾	–	28.12	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	38xd	–	25.4	1Jun 1Dec	1352
140	Conv. 3½pc '61 Aft	66½	–	23.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	36¾	–	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27	–	1.3	5Ja Ap Jul O	1238
475	Treas. 2½pc	27½	–	23.2	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
		(b)	**			
500	Treas 2pc IL '90(84.6)	128	2.51	19.12	25Jul 25Jan	1311
650	Do. 2pc '92‡‡(97.8)	107	3.52	14.2	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	99xd	3.48	10.4	16Nov 16May	–
1,000	Do. 2pc '96(67.9)	145¾	3.51	7.2	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	124¼	3.61	15.2	24Mar 24Sep	1316

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¾pc 1988-92	88½	11.60	1.12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Asstd.	206	–	–	1Apr 1Oct	–
4	Do. 4½pc 87-92 Asstd.	84½xd	9.33	9.1	7Feb 7Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 9½pc 8.5.89	99xd	15.23	10.4	8May 3Nov	–
20	Do. 8pc 30.5.89	99	13.00	24.10	30May 23Nov	–
20	Do. 9pc 26.6.89	99	13.37	21.11	26June 20Dec	–
20	Do. 10pc 17.7.89	99	13.17	12.12	11Jan 17Jly	–
20	Do. 11pc 7.8.89	99	12.99	3.1	1Feb 7Aug	–
20	Do. 11pc 29.8.89	99½	13.04	–	2Feb 29Aug	–
20	Do. 12¼pc 18.9.89	99	13.05	10.2	12Mar 18Sep	–
20	Do. 12pc 2.10.89	99	13.13	27.2	26Mar 2Oct	–
20	Do. 11pc 6.11.89	99xd	13.20	31.3	30Apr 6Nov	–
20	Do. 12pc 4.12.89	99xd	13.19	28.4	28May 4Dec	–
20	Do. 12pc 2.1.90	99	13.18	–	2Jan 28Jun	–
20	Do. 12pc 29.1.90	99½	13.16	9.2	29Jan 23Jly	–
–	Do. 12pc 26.2.90	99	13.15	–	26Feb 20Aug	–
60	Do. 3¾pc IL Ln 2021	188¼xd	4.45	23.1	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
3	Agric. Mt. 5pc '59-89	99	–	1.12	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	46xd	10.41	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	48	3.50	8.75	1.11	1May 1Nov	2763

INT. BANK AND O'SEAS

CORPORATION LOANS

AMERICANS

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

ISLE OF MAN

LUXEMBOURG

Money Market Bank Accounts

Money Market Trust Funds

Continued on next page

LONDON SHARE SERVICE

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AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,061.3	Dana Corp $1	23¾	$1.60	3.9	28.2	Mr Jn Se De	2306
282.8	Data General	10⅝	–	–	–	–	–
5,793.0	Dun & Bradstreet $1	31¼	$1.74	3.3	13.2	Mr Jn Sp De	–
1,501.7	Eaton Corpn 50c	35⅝	$2.00	3.3	1.2	F My Au N	2410
582.7	Echlin Inc	9⅞	70c	4.2	3.4	Ja Ap Jy Oc	–
2,404.8	FPL Group 1c	18⅝	$2.20	7.1	23.11	Mr Jn Sep Dec	–
14,734.3	Ford Motor $1	27⅞	$3.00	6.3	27.4	Mar Jun S D	2615
644.9	GATX 62½c	34½	$2.00	3.4	7.3	Mar Jun S D	2662
26,430.7	Gen. Elect. 63c	28⅞	$1.64	3.3	2.3	Ja Ap Jly O	2675
–	General Host Corp $1	495p	28c	3.3	13.12	–	–
2,681.0	Gillette $1	23⅛	96c	2.4	27.1	Mar Jun S D	2695
241.7	Gt Am First Sygs Bk $1	737p	60c	4.8	29.10	Fb My Aug Nv	–
770.1	Greyhound $1½	19⅞	$1.32	3.9	28.2	Ja Ap Jy Oc	2778
554.6	Hasbro Inc 50c	10½	16c	0.9	2.5	Ja No Au Nv	–
325.3	Home Group $1	7⅛	20c	1.5	24.2	Jan Mar Ju Dc	2915
1,947.6	Honeywell $1½	44⅛	$2.10	2.8	28.2	Mar Jun S D	2919
2,029.7	Houston Inds	17¼	$2.96	10.0	10.11	Mr Jn Se De	–
39,330.9	IBM Corpn $1¼	65⅞	$4.84	4.3	5.5	Mar Jun S D	2956
1.00	Image Storage/B 5n.1c	47	–	–	–	–	2961
1,249.9	Ingersoll-Rand $2	23⅛	$1.04	2.6	13.2	Mar Jun S D	2979
1,820.5	Lockheed Crpn $1	27¼	$1.60	3.4	15.2	Mar Jun S D	–
290.8	Lone Star Inds $1	17⅝	$1.90	6.3	1.3	May Au N Mar	3216
655.3	Louisiana Land 15c	21¼	$1.00	2.8	26.11	Mar Jun S D	3222
594.5	Lowe's 50c	15	48c	1.9	9.1	Jan Ap Jly Oc	–
963.3	Manuf. Hanover $1	20⅛	$3.28	9.5	26.6	Jan Ap Jly Oc	3279
1,769.4	Merrill Lynch $1	16⅛	$1.00	3.5	31.10	Feb My Au N	3351
510.3	Moler Inc	2011p	3.2c	–	–	–	3397
3,927.2	Morgan (JP) $2½	21¼	$1.66	4.5	21.12	Jan Ap Jly O	3418
9,134.1	NYNEX $1	42⅝	$4.04	5.5	27.6	F May Au N	–
362.4	PHH Corp. 1	21⅝	$1.12	3.0	4.4	Ja Ap Jy Oct	–
–	Pacific Aer 1	243p	–	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	96	+1
Craig & Rose £1 γ	720	......
Finlay Pkg. 5p γ	91	......
Holt (Jos) 25p γ	1300	......

IRISH

Cap 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£97¾	−½
Fin. 13% 97/02	£119½	......
Arnotts	455	......
Carrol (P.J.) γ	150	−2
Hall (R. & H.)	151	−5
Helton Hldgs. γ	76xd	−1
Irish Ropes	202	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	48
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl	36
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	26
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do Int Certs.	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Yield differentials favour the dollar

GLANCING AT recent US economic data and the trend in world interest rates the dollar does seem surprisingly firm. This tends to ignore some less obvious considerations however.

Recent figures have pointed to a slowdown in the US economy, but the Federal Reserve is most unlikely to relax its monetary policy until it is convinced that inflation no longer poses a major threat.

Chase Investment Bank points out that the inflation differential between the US and West Germany has narrowed in favour of the US since the beginning of 1989 to 2 per cent from 2.7 per cent, with the respective annualised rates now 5 per cent in the US and 3 per cent in Germany. This means the real yield differential in favour of the dollar has improved by about 1 per cent on three-month money since January, hence the underlying strength of the US currency.

Chase forecast an early test of DM1.90 for this reason. It happened on Friday and was met with co-ordinated central bank intervention. The market's attack on DM1.90 was almost certainly quicker than anyone could have expected, after Friday's very weak April US employment data, but it came after economists examined the figures more closely and noted rising wage inflation and an increase in the average working week. After a brief dip on the headline employment news the dollar paid scant regard to the announcement that unemployment rose to 5.3 per cent from 5.0 per cent, or that non-farm payrolls rose only 117,000, against 171,000 in March. A survey by MMS International forecast an unemployment rate of 5.1 per cent and a gain in non-farm payrolls of 220,000.

The dollar fell from $1.8965, before the announcement, to a low of $1.8800 immediately after, but then bounced up to $1.9000, as the market latched on to the fact that although the basic data were weak there was no let up in wage inflation, with average hourly earnings in April rising to $9.59 from $9.52 in March, while the average number of hours worked per week rose to 35 from 34.6.

Chase Investment Bank expects the dollar to remain relatively firm and in a narrow range of DM1.85 to DM1.89. Chase's view of the dollar's likely value in three-months is DM1.87.

Mr Neil MacKinnon, senior economist, at Chase said he expects the US currency to rise against the yen, even if the dollars movements against the D-Mark are limited in the immediate future. The Recruit Cosmos share scandal will continue to cast a political shadow over the yen and there is also no sign at present that the Bank of Japan intends to tighten its monetary stance.

Mr MacKinnon contrasted the the difference in the official reserve holdings of the Bank of Japan and the West German Bundesbank. The Bank of Japan has around $100bn with which to defend the yen if required, while the Bundesbank has only $55bn, and has seen its reserves fall by about 30 per cent in the last year.

On this basis the Bundesbank appears to be much more likely than the Bank of Japan to be forced into another rise in interest rates. If the Bundesbank does resort to another rise in rates the yen can be expected to lose ground the D-Mark.

Mr MacKinnon believes the strong protectionist lobby in the US has encouraged Japan to look towards Europe for trade and that a weakening of the yen against the D-Mark led EMS block will be welcomed in Tokyo. It will help build up Japan's manufacturing position in Europe before the creation of a single European market in 1992.

Colin Millham

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

May.5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.0	-16.2
U.S Dollar	69.0	-9.4
Canadian Dollar	103.5	-0.3
Austrian Schilling	106.6	+9.9
Belgian Franc	105.8	-6.2
Danish Krone	102.9	-1.9
Deutsche Mark	112.5	+20.4
Swiss Franc	102.9	+12.2
Guilder	110.0	+12.9
French Franc	99.5	-15.1
Lira	97.9	-20.0
Yen	145.7	+77.6

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100)**Rates are for May.4.

OTHER CURRENCIES

May.5	£	$
Argentina	144.065 - 144.440	85.9000 - 86.1000
Australia	2.0955 - 2.0980	1.2485 - 1.2495
Brazil	1.7105 - 1.7195	1.0200 - 1.0250
Finland	7.0770 - 7.1150	4.2250 - 4.2270
Greece	268.35 - 272.85	159.95 - 162.55
Hong Kong	13.0405 - 13.0535	7.7790 - 7.7810
Iran	119.50*	70.40*
Korea(Sth)	1116.40 - 1125.40	663.70 - 669.10
Kuwait	0.4879 - 0.48890	0.29100 - 0.29150
Luxembourg	66.15 - 66.25	39.50 - 39.60
Malaysia	4.5140 - 4.5255	2.6955 - 2.6975
Mexico	4088.75 - 4091.65	2438.00 - 2439.00
N. Zealand	2.6785 - 2.6835	1.5950 - 1.5975
Saudi Ar.	6.2880 - 6.2915	3.7500 - 3.7510
Singapore	3.2665 - 3.2755	1.9500 - 1.9510
S. Af (Cm)	4.3170 - 4.3365	2.5705 - 2.5-735
S. Af (Fn)	6.9465 - 7.0935	4.1410 - 4.2285
Taiwan	42.55 - 42.70	25.35 - 25.45
U.A.E.	6.1575 - 6.1615	3.6725 - 3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

May.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6715 - 1.6850	1.6735 - 1.6745	0.39-0.36cpm	2.69	1.22-1.18pm	2.87
Canada	1.9780 - 1.9935	1.9810 - 1.9820	0.45-0.35cpm	2.42	1.22-1.09pm	2.33
Netherlands	3.57¼ - 3.59	3.57¾ - 3.58¾	1¾-1⅝cpm	5.65	5-4¾pm	5.51
Belgium	66.15 - 66.65	66.15 - 66.25	26-24cpm	4.53	78-74pm	4.59
Denmark	12.34 - 12.37½	12.35¾ - 12.36¾	4⅛-3¾orepm	2.05	11⅞-11⅛pm	1.97
Ireland	1.1875 - 1.1940	1.1900 - 1.1910	0.25-0.20ppm	2.27	1.10-1.00pm	3.53
[illegible]						

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

MONEY MARKETS

London rates hold below 13%

LONDON MONEY market rates did not respond to the strength of the dollar on Friday, but the risk of another rise in UK bank base rates appears to be more international than domestic at present.

Three-month sterling interbank was unchanged at 12⅞-12¾ per cent, despite the pound's fall of nearly 1 cent to $1.68, the lowest level since last September. Rates tended to ease in London on news that the number of bills on offer will be increased at the weekly Treasury bill tender. This indicates that the Bank of England expects the market to remain liquid, and is trying to absorb surplus funds by selling more bills.

The markets watch on inflation will continue this week, with publication of UK producer prices today, followed by US producer prices and possibly West German and Japanese wholesale prices on Friday. Wholesale inflationary pressure in the UK may show signs of flattening out, according to a survey by MMS International. A rise of 1 per cent is expected in April input prices, against 1.4 per cent in March.

UK clearing bank base lending rate 13 per cent from November 25

This would leave the year-on-year rate unchanged at 6.7 per cent and provide some comfort for the Government in its battle against inflation.

On the other hand the market's forecast for US input prices in April is for a rise of 0.7 per cent compared with 0.4 per cent the previous month.

The Federal Reserve will not be encouraged to relax its tight credit policy if this is the case, while the UK authorities will be relieved by any indication that inflation may have peaked.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY MAY 5 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY MAY 4 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (89)	137.25	−5.0	121.56	114.02	+1.3	4.88	138.06	121.58	114.46	157.12	128.28	121.19
Austria (19)	123.47	+28.7	109.35	121.17	+36.7	2.13	122.60	107.97	120.45	124.16	92.84	91.29
Belgium (63)	133.68	−1.1	118.39	130.36	+4.8	4.17	133.00	117.13	130.38	137.10	128.52	127.42
Canada (127)	136.04	+8.4	120.48	116.58	+7.4	3.37	135.80	119.59	116.47	137.27	124.67	121.25
Denmark (38)	180.01	+5.6	159.43	180.81	+13.7	1.85	180.08	158.59	180.26	180.57	165.35	118.45
Finland (26)	151.65	+15.9	134.31	134.50	+17.6	1.56	152.92	134.67	135.24	159.16	125.81	127.81
France (130)	119.09	+3.5	105.47	119.69	+9.5	3.10	118.87	104.69	119.11	122.79	112.57	89.26
West Germany (100)	86.10	−2.1	76.26	84.98	+4.8	2.35	85.61	75.39	84.21	90.40	81.77	75.44
Hong Kong (49)	138.30	+23.7	122.48	138.14	+23.3	3.87	136.12	119.87	135.96	138.30	111.80	102.40
Ireland (17)	147.40	+11.9	130.55	147.77	+19.7	2.85	147.75	130.11	147.38	151.36	125.00	122.78
Italy (98)	80.52	−5.4	71.31	83.35	+0.4	2.52	81.11	71.43	83.76	86.88	78.16	75.70
Japan (455)	189.47	−1.1	167.80	160.84	+6.3	0.47	189.96	167.29	160.84	200.11	180.30	175.30
Malaysia (36)	182.14	+26.9	161.32	189.16	+26.3	2.52	181.28	159.65	188.16	182.14	143.35	132.61
Mexico (13)	182.12	+12.5	161.29	485.54	+20.0	1.04	182.46	160.68	486.25	182.88	153.32	123.96
Netherland (42)	119.00	+5.9	105.39	116.23	+13.1	4.43	118.98	104.78	115.75	122.22	110.63	107.65
New Zealand (24)	72.81	+7.7	64.48	61.71	+8.3	6.00	72.77	64.09	61.99	76.02	66.84	78.14
Norway (26)	187.99	+35.3	166.49	175.42	+41.7	1.53	186.26	164.03	173.30	198.39	139.92	123.01
Singapore (26)	158.14	+26.4	140.05	142.14	+26.8	1.91	158.19	139.31	142.22	158.19	124.57	112.73
South Africa (60)	138.16	+18.2	122.37	126.37	+26.6	4.10	137.84	121.39	126.34	144.86	115.35	124.99
Spain (42)	152.83	+3.0	135.35	136.33	+7.0	3.57	153.25	134.96	136.24	156.17	143.14	160.95
Sweden (35)	157.68	+9.0	139.65	160.21	+14.6	2.29	157.92	139.07	150.03	162.00	138.45	121.60
Switzerland (57)	73.63	−5.7	65.21	77.54	+6.8	2.39	74.29	65.43	77.86	79.78	73.63	77.49
United Kingdom (315)	148.06	+9.4	131.13	131.13	+18.2	4.32	147.96	130.30	130.30	153.33	134.53	139.22
USA (560)	125.27	+10.7	110.95	125.27	+10.7	3.56	125.35	110.39	125.35	125.97	112.13	104.88
Europe (1006)	119.80	+4.4	106.10	112.77	+12.2	3.56	119.75	105.46	112.24	121.70	114.02	108.58
Nordic (125)	154.60	+10.7	136.93	153.16	+24.3	1.98	154.73	136.26	152.83	155.61	137.96	112.36
Pacific Basin (679)	185.14	−0.6	163.97	157.66	+6.5	0.69	185.57	163.42	157.63	194.72	176.37	170.32
Euro–Pacific (1687)	159.02	+0.9	140.83	139.77	+8.2	1.57	159.25	140.24	139.55	164.22	152.83	145.62
North America (687)	125.82	+10.5	111.43	124.74	+10.5	3.55	125.88	110.86	124.81	126.52	112.79	105.78
Europe Ex. UK (693)	102.25	+0.7	90.56	101.41	+7.4	2.94	102.22	90.02	101.07	105.29	98.84	89.61
Pacific Ex. Japan (224)	133.17	+6.9	117.94	117.64	+10.3	4.30	132.80	116.95	117.23	137.65	123.48	110.23
World Ex. US (1887)	158.02	+1.2	139.95	139.00	+8.3	1.65	158.23	139.35	138.78	162.77	152.04	144.57
World Ex. UK (2132)	144.97	+3.5	128.39	134.65	+8.1	2.03	145.16	127.83	134.60	146.04	138.08	128.30
World Ex. So. Af. (2387)	145.27	+3.9	128.66	134.36	+8.9	2.23	145.44	128.08	134.25	146.65	138.82	129.28
World Ex. Japan (1992)	124.07	+8.2	109.89	120.55	+11.2	3.59	124.07	109.26	120.37	124.65	114.51	107.15
The World Index (2447)	145.23	+4.0	128.62	134.30	+9.0	2.24	145.39	128.04	134.19	146.51	138.83	129.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Markets closed May 5: Belgium and Japan.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 48,364

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	Mount Banking Corp.	13
Adam & Company	13	Clydesdale Bank	13	Nat. Bk. of Kuwait	13
AAB - Allied Arab Bk	13	Comm. Bk. N. East	13	NatWestminster	13
Allied Irish Bank	13	Co-operative Bank	*13	Northern Bank Ltd	13
● Henry Ansbacher	13	Coutts & Co	13	Norwich Gen. Trust	13
ANZ Banking Group	13	Cyprus Popular Bk	13	PRIVATbanken Limited	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Provincial Bank PLC	14
Authority Bank	13	Duncan Lawrie	13	R. Raphael & Sons	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Roxburghe G'rantee	13½
Bank of Baroda	13	Exeter Trust Ltd	13½	Royal Bk of Scotland	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Royal Trust Bank	13
Bank Hapoalim	13	First National Bank Plc.	14	● Smith & Williamson Secs.	13
Bank Credit & Comm	13	● Robert Fleming & Co.	13	Standard Chartered	13
Bank of Cyprus	13	Robert Fraser & Ptnrs.	13½	TSB	13
Bank of Ireland	13	Girobank	13	United Bk of Kuwait	13
Bank of India	13	● Guinness Mahon	13	United Mizrahi Bank	13
Bank of Scotland	13	HFC Bank plc	13	Unity Trust Bank Plc	13
Banque Belge Ltd	13	● Hambros Bank	13	Western Trust	13
Barclays Bank	13	Heritable & Gen Inv Bnk.	13	Westpac Bank Corp.	13
Benchmark Bank PLC	13	● Hill Samuel	§13	Whiteaway Laidlaw	13½
Berliner Bank AG	13	C. Hoare & Co.	13	Yorkshire Bank	13
Brit Bk of Mid East	13	Hongkong & Shangh	13		
● Brown Shipley	13	● Leopold Joseph & Sons	13		
Business Mtge Tst	13½	Lloyds Bank	13		
Cl. Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Meghraj Bank Ltd	13		
● Charterhouse Bank	13	Midland Bank	13		
Citibank NA	13	Mortgage Express Ltd.	‡13.75		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000 + instant access 12.1% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%.

JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

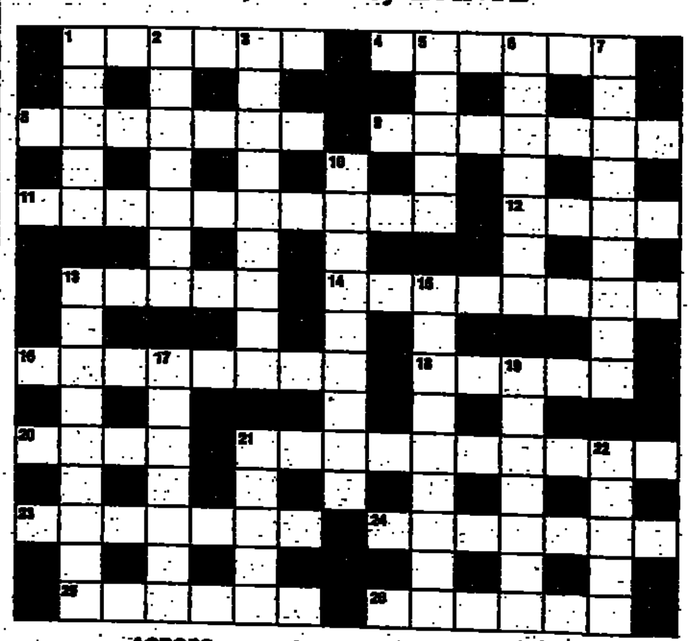
[illegible]

RIGHTS OFFERS

[illegible]

CROSSWORD

No.6,928 Set by DANTE



ACROSS

1 Bound to be a time for shooting (6)
4 Support delay (4,2)
8 Is set in this month's presses (7)
9 Fair son worked to a degree (2,2,3)
11 Spent in riotous living (10)
12 Miss 1 across (4)
13 Strips being about to get some rest (5)
14 Taken ill (8)
16 For an NCO such punishment may well involve stripes (8)
18 They carry goods south in stormy seas (5)
20 Their quarters are combed for food (4)
21 It was once thought incredible (4,6)
23 Drop the name of a scapegoat (4-8)
24 Film show (7)
25 Tied up and whipped (6)
26 Notice a split coming (6)

DOWN

1 Is climbing in a rough mountainous area (5)
2 Reproduce? (2-5)
3 As used for writing down music? (4-5)
5 Had conceded? (5)
6 Pops round to unload guilt (5,2)
7 Mistakenly he praises hypocrites (9)
10 Destroy bacteria in a way that is Lister's (9)
13 Jackon would not hold prisoners? (9)
15 Rodents climbing on the table? Right (9)
17 They pound away with mortars (7)
19 Such money is for saving (7)
21 Fruit crop (5)
22 Appearing upright before getting caught (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 20.

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

AUSTRALIA
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices May 5

[illegible]

Sales	Stock	High	Low	Close	Chng
900	C Gear Trc	$21½	21½	21½	+ ½
200	Charan	120	120	120	+ 2
203700	Cineplex	$17⅛	16¼	16⅜	− ¾
30896	Cominco	$26	25½	25½	− ¼
7825	Computlog	470	460	470	+ 15
80000	Connaught	$27½	27⅛	27⅜	+ ⅛
285	C HCI A f	$10¼	10¼	10¼	
6693	Con TVX	$7	7	7	
1536	Cnsum Gas	$25⅞	25¾	25⅞	+ ⅛
18650	Jannock	$18⅛	18	18⅛	+ ⅛
100	Kerr Add	$18½	18½	18½	− ¼
14362	Labatt	$23	22¾	22¾	− ⅛
39148	Lac Mnrls	$12½	12⅜	12⅜	− ⅛
80	Lafarge p	$18⅞	18⅞	18⅞	
8605	Laidlaw A	$17⅛	16⅞	17⅛	+ ⅛
328806	Laidlw B f	$16¼	15½	15⅝	
100	Laur Bk	$14¼	14¼	14¼	
44383	SHL Syst	$11⅝	10⅞	11½	+ ½
3000	Stl. CamA f	$16⅞	16⅞	16⅞	− ⅛
3000	Samuel MT	$15	15	15	
2500	Saskoil	$9¾	9⅝	9¾	
32271	Sceptre	420	410	420	+ 10
270	Schneider A	$24⅝	24⅝	24⅝	
2340	Scotts f	$17	16¾	16⅞	− ⅛
24546	Seagram	$87⅛	86⅜	87⅛	+ 1

1 – No voting rights or restricted voting rights.

MONTREAL
Closing prices May 5

[illegible]

Sales	Stock	High	Low	Close	Chng
9035	Memotec	$11⅛	11¼	11¼	− ⅛
254358	NatBk Cda	$14	13¾	13¾	− ⅛
13012	Noverco	$11⅞	11¾	11¾	
60175	Power Corp	$15¼	15	15	− ¼
29954	Provigo	$09¼	09⅛	09⅛	
5100	SteinbrgA	$38½	38½	38½	+ ¼
7650	Videotron	$16½	16¼	16⅛	− ⅛

Total Sales 6,725,905 shares.

INDICES

NEW YORK DOW JONES

	May 5	May 4	May 3	May 2	1989 High	1989 Low	Since compilation High	Since compilation Low
◆Industrials	2381.96	2384.90	2393.70	2402.86	2418.99 (27/4)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.62	88.75	88.89	88.93	89.62 (8/2)	87.35 (23/3)	–	–
Transport	1129.85	1130.50	1130.98	1133.57	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	192.86	192.27	192.45	192.15	192.86 (5/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2415.69 (2399.01) Low 2371.88 (2373.35)

STANDARD AND POOR'S	May 5	May 4	May 3	May 2	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	307.61	307.77	308.16	308.12	309.64 (28/4)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	354.16	354.69	354.99	354.61	357.49 (21/4)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.29	28.25	28.37	28.56	28.83 (21/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	172.14	172.21	172.35	172.37	173.13 (26/4)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	346.84	345.89	344.56	344.66	346.84 (5/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	430.74	429.23	428.87	428.03	430.74 (5/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr 28	Apr 21	Apr 14	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.57	3.47
	May 3	Apr 26	Apr 19	year ago (approx.)
S & P Industrial div. yield	3.08	3.08	3.05	2.94
S & P Indl. P/E ratio	13.64	13.60	13.62	15.35

TRADING ACTIVITY † Volume

Millions	May 5	May 4	May 3
New York	180.810	153.774	171.690
Amex	12.218	12.402	9.347
OTC	156.066	246.383	142.487

NEW YORK	May 5	May 4	May 3
Issues Traded	(u)	1,930	1,914
Rises	795	661	680
Falls	608	723	690
Unchanged	(u)	546	544
New Highs	(u)	76	80
New Lows	(u)	16	18

CANADA

TORONTO	May 5	May 4	May 3	May 2	1989 High	1989 Low
Metals & Minerals	3313.5	3309.4	3348.7	3369.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3599.2	3597.6	3589.4	3604.9	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1837.39	1837.07	1833.20	1840.62	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Avon Prod	2,378,500	36⅛	+ ⅛
Amer Elect	1,941,900	26⅛	+ ¼
Upjohn	1,777,500	30⅜	− ⅛
Exxon	1,612,200	42⅜	....
Colombia	1,456,000	20⅝	+ ⅛
Freeport McMoran	1,453,200	36½	+ ⅛
IBM	1,444,300	109⅜	− 1¼
Bowater	1,429,100	31¼	− 1¼
AT&T	1,421,500	34½	....
Eastman Kodak	1,415,000	43	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 5	May 4	May 3	May 2	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1510.7	1512.9	1504.8	1492.6	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	682.1	681.1	676.4	674.7	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	316.32	(c)	314.97	315.95	316.32 (5/5)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	(c)	(c)	5944.18	5949.61	5949.61 (2/5)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	306.72	(c)	305.63	305.03	306.72 (5/5)	275.49 (27/2)
FINLAND Unitas General (1975)	803.4	804.5	805.5	805.6	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	461.9	(c)	463.9	465.7	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	109.0	(c)	109.1	109.5	111.3 (24/4)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	579.62	(c)	574.47	571.95	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1722.0	(c)	1706.2	1699.6	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1380.46	(c)	1368.60	1362.54	1394.62 (17/4)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	3262.86	3221.12	3156.22	3156.37	3262.86 (5/5)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	608.75	611.34	610.14	609.61	620.30 (24/4)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	(c)	(c)	(c)	33954.9	33954.99 (2/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	(c)	(c)	(c)	2517.49	2517.49 (2/5)	2366.91 (6/1)
NETHERLANDS CBS Tdl.Rtn.Gen.(End 1983)	240.1	(c)	236.4	237.2	240.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	190.0	(c)	187.5	188.3	190.6 (27/4)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	646.46	(c)	637.55	639.53	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1282.52	1283.54	1284.87	1265.95	1264.87 (3/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1466.0§	(c)	1468.7	1461.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2559.0§	(c)	2559.0	2565.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	301.41	300.83	300.23	(c)	301.41 (5/5)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	3892.4	(c)	3898.6	3895.7	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	667.6	(c)	(u)	681.7	686.0 (28/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	514.2	513.6	513.9	519.0 (17/2)	491.2 (28/3)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 3 May 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	96.8m	940	+15
Kawasaki Steel	63.2m	1,080	+20
NKK	29.1m	968	+2
Nippon Steel	27.3m	951	+1
Nisshin Steel	26.7m	1,720	+30
Osaka Gas	21.4m	934	+18
Kobe Steel	19.6m	932	-2
Japan Steel Works	18.1m	1,310	+70
Mitsui Shipbuilding	16.9m	965	+2
Nissan Diesel Motor	15.2m	1,210	+40

4pm prices May 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29¾	21¼	AAR	.44	1.5	20	728	u29⅞	28⅞	29½	+1
10⅛	8½	ACM n	1.01	11.		z156	9	8⅞	9	+⅛
11⅞	10¼	ACMIn	1.25a	12.		496	10⅜	10⅜	10⅜	+⅛
10⅛	8½	ACM M	n1.01	11.		z310	9	8⅞	9	+⅛
11½	10⅛	ACM Sc	1.26	12.		1069	10⅝	10½	10½	
10⅛	8⅜	ACMSp	n1.01	12		466	8¾	8⅝	8⅝	–⅛
4⅜	2⅝	AMCA	.12e	3.2	25	21	3⅞	3¾	3¾	–⅛
6⅛	3½	AM Ind				506	5⅞	5⅝	5⅝	–¼
23½	18⅛	AM Int pf	2	8.9		11	22⅝	22½	22½	
64⅛	39	AMR			9	3980	63½	62⅝	63	+⅛
9½	4¼	ARX				44	4⅝	4½	4⅝	+⅛
47	35¼	ASA	3a	7.3		288	41⅛	40¾	40⅞	–⅛
20¼	14⅛	AVX	.24	1.3	9	266	18⅝	18¼	18⅜	–⅛
56¼	42⅞	AbtLab	1.40	2.5	16	3141	56⅛	55⅛	55⅝	–⅛
19	15⅝	Abitibi g	1			145	17	16⅞	16⅞	+⅛
12⅛	7½	AcmeC	.40	3.9		56	10⅜	10¼	10¼	–⅛
8	5⅞	AcmeE	.32	4.1	19	51	7⅜	7⅝	7¾	+⅛
32½	20¼	Acuson			24	758	31¼	30¾	31	+¼
16⅞	14⅛	AdaEx	1.82e	12.		112	15	14⅞	14⅞	
18⅞	7⅛	AMD				2546	8⅞	8½	8⅝	–⅛
43½	28¾	AMD pf	3	9.0		7	33½	33¼	33½	+⅛
8½	6½	Adobe				92	u 8⅝	8½	8½	+⅛
18¼	16½	Adob pf	1.84	10.		20	17¾	17⅝	17¾	
21¼	20	Adob pf	2.40	12.		2	20⅜	20⅜	20⅜	–⅛
9⅜	5⅝	Advest	.12	1.7	16	180	7	6⅞	6⅞	
54⅞	39½	AetnLf	2.76	5.3	8	2249	52⅝	52⅛	52⅝	+⅛
47¼	24	AflPb s	.22	.5		1714	u48½	46¾	48½	+1⅞
19¼	13¼	Ahmans	.88	4.4	9	9983	u20	19¼	19⅞	+⅜
4⅝	2⅞	Aileen			19	20	3⅜	3⅜	3⅜	–¼
53⅝	37¼	AirPrd	1.20	2.9	10	1403	42¼	41⅞	42	
20⅞	15½	AirbFrt	.60	2.3	24	773	26¼	24¾	25⅞	+1⅞
18⅞	11⅝	Airgas			12	104	16	17⅝	15	+⅛

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60¾	46⅝	Wolwth	1.88	3.7	11	4185	51⅝	50⅞	51⅛	+ ⅜
7⅞	5⅛	WrldCp			6	258	7⅝	7½	7½	⅛
17⅞	14⅛	WrldVl	1	5.9		44	17	16⅞	17	
45⅞	32	Wrigley	.80	1.7	20	286	u46⅛	45¾	45⅞	
11⅛	7⅞	WylaLb	.28	3.2	11	179	8⅞	8⅝	8⅞	+ ⅛
28	19⅛	Wynns	.60	2.2	13	78	27⅛	27	27⅛	+ ⅛
22⅝	4½	Wyse				1224	8⅛	7⅞	8	
		– X–Y–Z –								
69	50⅛	Xerox	3	4.6	16	3823	65⅝	64⅛	64⅜	– ½
44⅛	29⅛	XTRA	.72	2.0	16	384	37	36⅛	36⅛	– ⅞
33	25	XTRA pf	1.94	6.8		2	28½	28½	28½	– ½
3⅝	2	Zapata				98	3	3	3	
27⅞	18⅝	Zayre	.40	1.4	184	2099	u27⅞	27½	27⅞	+ ⅛
15½	10½	Zemex	.40	3.6	23	6	11⅛	11⅛	11⅛	
30	18½	ZenithE			963	3840	19⅝	19	19⅛	+ ⅛
10⅝	8⅞	Zenlac	1.28	14.		73	9⅞	9⅛	9⅛	
2⅛	1	vjZenLb				519	1⅞	1⅝	1⅝	– ⅛
27⅝	15	ZenNt	.80b	4.4	8	213	18⅛	18⅛	18⅛	– ⅛
19⅞	13¼	Zero	.44	2.3	16	135	19⅞	19	19⅛	+ ⅛
29½	19	Zurn	.68	2.4	16	176	29	28¾	28⅞	
11⅛	10	Zweig	1.07e	10.		223	10⅞	10⅝	10⅝	– ⅛
10⅛	8⅞	ZweigT	n.24e	2.7		z1373	9⅛	8⅞	8⅞	– ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 5

OVER-THE-COUNTER

Nasdaq national market, 4pm prices May 5

Stock	Div.	Sales 100s	High	Low	Last	Chng
A&W Bd		24 906	22	21½	21½	– ½
ADC		11 251	13¼	13⅞	13¼	+ ¼
ADT		2440	29¼	29	29⅛	
ALC b		3329	4⅞	4 3-16	4½	+ 5-16
ASK		15 123	15	14⅞	14⅞	– ⅛
AST		495	8⅛	8	8⅛	+ ⅛
AcmeSt	.05e	7 150	25¼	25	25	
ActARt	t	26 879	u20½	20	20⅛	+ ½
Actmed		34	14⅝	14½	14⅝	+ ⅛
Acxiom		17 256	14	13½	14	+ ½
AdacLb	.16	15 4974	4⅝	4½	4½	– 1-16
Adapt		44 2167	u 8½	7⅞	8⅜	+ ½
AdIngtn		15 131	36½	35¼	35⅞	– ⅜
AdiaSv	.14	14 222	24	23	23¼	+ ⅜
AdobeS	s.08	22 4419	26¾	25	25	– ⅞
AdMkSv		15 117	14¼	14	14	– ¼
AdvPoly		166	8	7⅞	7⅞	– ⅛
AdvSem		433	10½	10¼	10½	
AdvTel		17 835	16⅝	16¼	16¼	+ ⅜
Advanta		67	6⅞	6⅛	6⅞	+ ⅛
AdvoSy		449	7⅞	6⅞	6⅞	– ⅛
AffBcCp	.32	6 49	7⅞	7⅞	7⅞	+ ⅛
AffBsh		353	11¼	11⅛	11¼	+ ½
AgncyR	t	21 5742	u21½	20½	20¾	+ ¼
Agnico g	.20	671	8½	d 8⅛	8¼	– ⅜
AirMd		73	5⅝	5⅛	5½	

Stock	Div.	Sales 100s	High	Low	Last	Chng
Willamt	1.45	7 45	47½	46	46¼	– ⅛
WilmTr	1.24	11 28	35¼	34½	34½	
WiserO	.40	62 15	16¾	16⅝	16⅝	
Wolohn	.28	9 138	18¼	17½	17½	– ½
WolvEx		102	7⅛	6⅞	6⅞	– ⅛
Worthg	.48	14 2809	21⅞	21⅛	21⅛	– ½
Wyman	.80	85 2771	u17½	16¾	17½	– ¼
		– X–Y–Z –				
XL Dta s		26 229	19	18½	18½	– ⅛
XOMA		878	16⅛	15½	16	– ½
Xicor		10 2439	7⅞	7½	7⅞	– ⅛
YelowF	.70	10 982	27⅛	26⅞	26⅞	
ZionUt	1.44	32	26	25	26	+ 1
Zycad		155	3¼	3⅛	3¼	

The Business Column

Phoney war in European banking

As European bankers contemplate the coming of the single market in financial services, many are starting to display somewhat ambivalent attitudes. Above all, in countries with less developed banking systems, the prospect of falling regulatory barriers is giving rise to uneasy intimations of mortality.

The fear is that a cosy way of life will soon be brought to an end as an army of bigger, stronger rivals from elsewhere in Europe – or further afield – sweeps in and grabs the juiciest domestic business. Still more disturbing to bankers' sleep is the thought of falling prey to a foreign takeover.

Yet try turning the question round and ask how easy it is in practice for banks to expand beyond their national borders: suddenly things look quite different. Most bankers respond on cue with a litany of risks and obstacles, many of which they expect to remain unchanged by the single market plan.

Both viewpoints cannot be right – and it is the former which appears the most dubious. For several reasons, expectations that 1992 will send banks stampeding pell-mell into each others' markets look, to say the least, premature. For once, the grass may not be greenest on the other side of the fence.

The biggest prizes of trans-European expansion lie not in the large corporate sector, which is already highly internationalised, but among small and medium-size companies and in retail services, where margins are generally fattest and growth prospects most alluring. These areas are profitable precisely because they cannot be served easily without a substantial local market presence.

Routes to the far side of the fence

To break in, newcomers have two choices. One is to set up their own distribution networks. This route, however, not only involves big investments but can be slow to yield results. Those who have tried it, as Citibank did a few years ago, have found it can be an uphill battle to wean European customers away from their traditional bank relationships unless they have something really special to offer.

The other option is to acquire an established local partner. However, good opportunities are rare. In France, West Germany and Italy, big chunks of the banking sector are publicly owned. It is also questionable how many central banks will be willing, even after 1992, to see a major bank under their control fall into foreign hands. Cross-shareholdings are an easier alternative. But because such arrangements are by definition friendly, those involved seem unlikely to compete very hard for business on each others' home turf.

Indeed, the only sizable cross-frontier acquisition in the past few years has been Deutsche Bank's 1987 purchase of Banca d'America e d'Italia. Exchanges of shareholdings have been scarcely more frequent, the main examples being the Dutch Amro bank's tie-up with Belgium's Générale de Banque and the link between Royal Bank of Scotland and Banco de Santander of Spain. None of these deals, moreover, has yet produced any striking changes in the market behaviour of the institutions concerned.

The current situation, therefore, has the appearance of a phoney war, in which serious hostilities have yet to break out. While scope exists for profitable cross-border expansion, it seems more likely to be found by carefully exploiting niches than by mounting full-scale assaults on others' markets.

None the less, a potential threat can sometimes be as powerful a stimulus as a real one. In much of Europe, 1992 is being seized on by government authorities as a reason to press ahead with domestic deregulation and by local banks to cut costs, restructure and innovate. As a consequence, the biggest competitive challenge confronting many European bankers may come from the forces for change developing inside their own national frontiers, rather than from outside them.

Guy de Jonquières

THE MONDAY INTERVIEW

A visionary and a fixer for the Baltic

John Lloyd meets Anatolijs Gorbunovs, who leads Latvia's push for autonomy

The Baltic republics of the Soviet Union are busy exhuming their histories, and the most radical of their pro-independence leaderships characterise Soviet power as imperialism.

Soviet officials, for their part, until very recently have taken literally the adage that "the winners write the history." State-published booklets on the Baltic region provide essentially moral tales depicting these republics in pre-Soviet history as swamps of oppression, injustice, under-development, even fascism. When Soviet power came, it always and everywhere transformed, ennobled, enriched. The inter-war years in which all three Baltic states had (often shaky) independent governments are dismissed as an era of "bourgeois dictatorships."

Dislodging this view is not easy because very large numbers of Russians live in the industrialised Baltic region, mostly working in state enterprises and seen by natives as imperialism's agents.

In February this year, the Latvian journalist Edvins Inkens, now a delegate to the USSR Supreme Soviet, told a conference of Latvian colleagues: "We are experiencing a social revolution in which the class that has to be toppled is the contemporary mutation of the Russian feudal aristocracy – the directors and the administrators. In (this revolution) there are those who need liberating: we (Latvians) are the latter."

Latvia, in particular, feels the weight of Russia, because unlike the other two Baltic states, Estonia and Lithuania, its ethnic people are in a minority of perhaps as low as 40 per cent. It has thus been less obviously rebellious than Estonia where around 60 per cent of the population is indigenous, or Lithuania, which is nearly 80 per cent Lithuanian. Yet how it decides to handle its people's new quest for sovereignty and a revision of the past will be – precisely because of the ethnic balance – at least as sensitive.

Anatolijs Gorbunovs is the most important man in Latvia in this delicate process. President of the presidium of Latvia's Supreme Soviet (parliament) since 1988, he was this year elected as deputy to the USSR Supreme Soviet.

With a career of party work behind him at 46, Mr Gorbunovs is no radical nationalist. Though a handsome man, with a little of the looks of a 1950s matinée idol, he is not charismatic and does not seek to dominate or spellbind either at the podium or in conversation.

He is almost certainly the most popular party official in the republic.

His importance lies not so much in his personality or convictions, but in the skill with which he can mediate between Latvian nationalism, the different currents within the Latvian Communist Party, the resentful and fearful Russians who live in Latvia, and the often conflicting messages coming from Moscow.

In short, he must develop political skills of a kind most Soviet leaders have had little use for, since in the end they could rely on passing the buck up, or if they *were* up, on fiat or on covert dealing. Mr Gorbunovs must deal openly because politics in the Baltics is breaking open.

Already wide open is the rift between the two main "informal" political groups in the republic. These are the Popular Front of Latvian Nationalists, and the Inter Front, representing the Soviet *Union*.

"So many of the problems with which we now have to deal are connected with the existence and the survival of the Latvian nation," says Mr Gorbunovs. "The law on languages, now the subject of debate, is seen by Latvians as returning them their language rights, while the Russians think their rights will be diminished. At present, the national language, Latvian, meets discrimination (legally, Russian takes precedence as an official language). So we have to takes steps to reverse that discrimination. The problem is, of course, that in practice Latvians know both languages and many Russians only one".

Loss of language rights has caused riots and repression in many republics. It is an issue which rallies students and the intelligentsia, and evokes a response from a mass of people who find Russian strange in their mouths.

But Mr Gorbunovs is embarked on more than just a linguistic reform. He is attempting to shape the institutions and politics of his little state in a way which will not provoke reaction from Moscow, but which will reach out to all but the (many) all-or-nothing nationalists among the ethnic Latvians.

It is, for a Soviet politician, like riding a tiger. "The Baltic republics feel most of all the problems created by centralised power," he says.

"We believe that we now know better than the centre how to increase our economic efficiency. This is a moving situation. Only 18 months ago these ideas were being criticised: now they are either being adopted in law or are being considered within the (USSR) Central Committee."

Last November, Mr Gorbunovs staged one of his most adroit pieces of compromise. The Moscow authorities had promulgated draft changes to the USSR constitution which, in the view of many, tightened rather than loosened the grip of the centre. Nationalists everywhere staged riots, demonstrations, hunger strikes and protest marches. In Latvia, nearly 1m people signed a protest.

Mr Gorbunovs called, not for rejection of the reforms, but for Latvia to produce its own proposals. On November 14, the Latvian Supreme Soviet, with some qualms among the more pro-independence deputies, passed a five-part programme for the republic's sovereignty which went to Moscow the next day and found cautious favour. The Latvian leader had shown he could deliver.

"To an extent," says Mr Gorbunovs, "the emotion of fear lies behind what we are doing: fear of a loss of national identity. People have become much more open about their nationalist feelings. They have become more radical. Of course, when radical emotions appear, it sometimes does harm to perestroika. My understanding of independence? To be within the Soviet *Federation*. Strong republics create a strong union. Laws affecting the federation must be accepted by all the states. But laws relating to what happens within our own borders concern only us. Remember, we here are unique. Forty years ago the three Baltic states were independent."

The package of laws on which Mr Gorbunovs and his colleagues are working is designed to satisfy pragmatic nationalists and, by inference, isolate their numerous, uncompromising pro-independence cousins. The package includes:

● A language law, putting flesh on the resolution to make Latvian the state language;

● A law on immigrants, which would seek to dam the inflow of (mainly Russian) workers by demolishing the hostels in which most of them live, and imposing a huge 25,000 roubles charge per worker on companies hiring from outside Latvia;

● A *law* on elections to the Latvian Supreme Soviet, which will scrap the practice adopted for the USSR Soviet of having one third of the deputies "elected" by such organisations as the Communist Party, trade unions and the union of writers, and instead making all deputies dependent on direct election by the public;

● A "Latvian cheque" system, whereby all Latvian workers will be paid partly by cheques exchangeable for goods within the republic but not available outside. It is a tentative step towards a separate currency, which Mr Gorbunovs said was considered but rejected for the moment.

His larger tests are to come. In the autumn he will run for re-election as President of the Latvian Supreme Soviet, this time backed by a popular voice.

Like many, he believes these elections, to the republican Soviets, will in practice be more important than the elections to a USSR Soviet in Moscow inevitably dominated, in spite of the well-publicised radicals, by the quiet, the safe and the compliant. It is the republican soviets which will tend to reflect more readily the strength of nationalist feeling. Their deputies will face most immediate pressure to show independence and must therefore develop political skills of the kind Mr Gorbunovs already shows.

His most important skill is the ability to judge how radical he can be, and in knowing what is presently beyond the boundaries of tolerated discourse for a high official.

"I don't see a multi-party system," he says. "I think that in the real situation we are in that's impossible. Why? Because most people want what the Communist Party has announced: perestroika. We have no alternative."

He may well be right in one assertion: "If I am elected President of the Latvian Supreme Soviet, there will be considerable change over the next five years." The movement for republican independence within the Soviet Union needs fixers as well as visionaries.

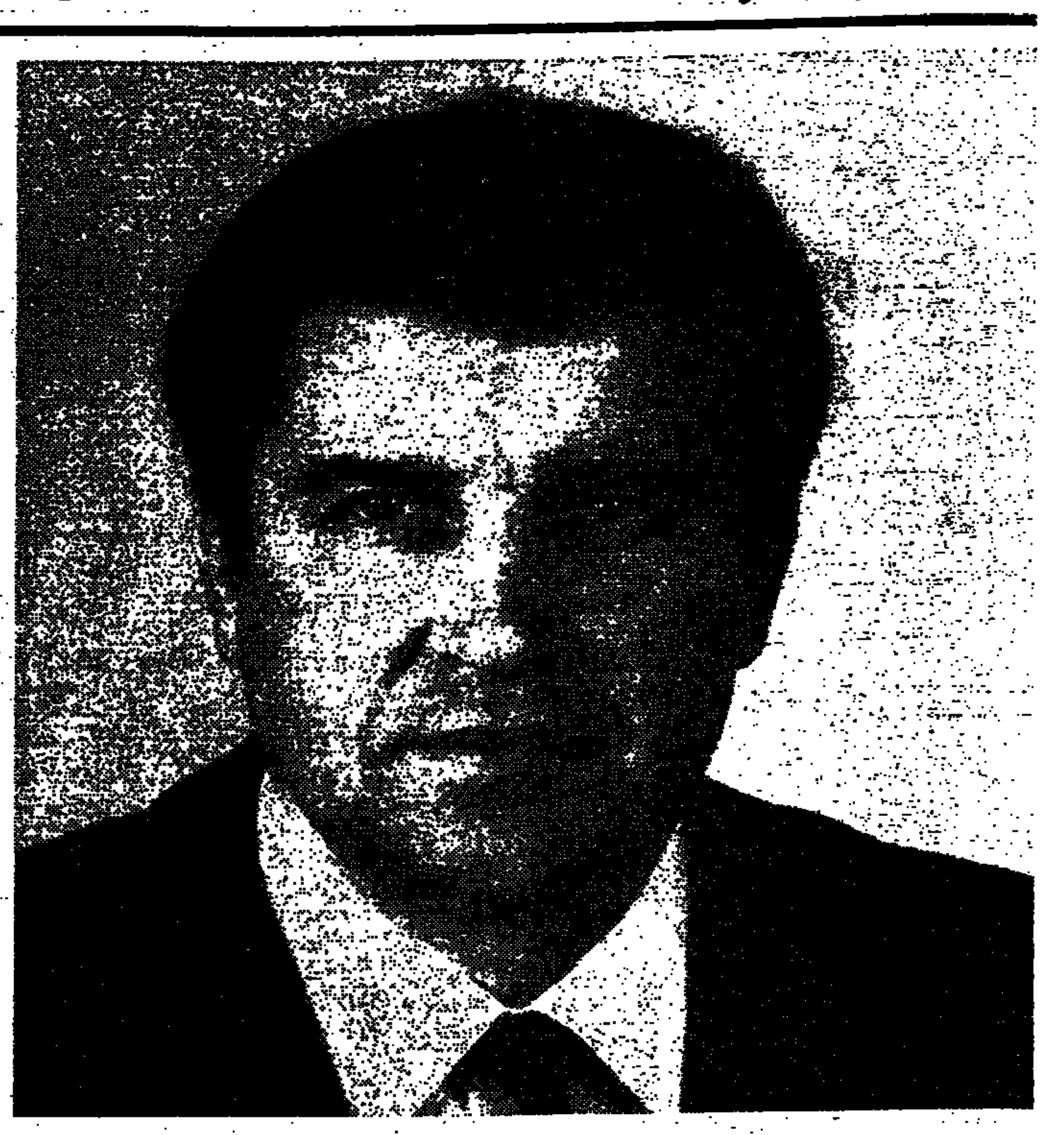
PERSONAL FILE

1943 Born, Latvia. worked as builder in countryside before joining Konsomol; educated Riga Polytechnic and Academy of Social Sciences in Moscow

1985 Secretary of central committee of Latvian Communist Party

1988 President of the presidium of Supreme Soviet of Latvia

1989 Elected Deputy to the USSR Supreme Soviet



'To some extent fear lies behind what we are doing'

A strait-jacket for judges and editors

JUSTINIAN

The shareholders of Barlow Clowes may not readily appreciate the reason why they are not, for the time being at least, allowed to know what is happening in the litigation being conducted in the Chancery Division of the High Court to decide whether £16.2m should be credited to the Gibraltar-based Barlow Clowes International or to the UK fund, Barlow Clowes Gilt Mangers. The ostensible reason is the use to which a modern piece of legislation dealing with contempt of court is being put, which interferes dangerously with the media reporting of court proceedings that are in every other respect open to public scrutiny.

Some Barlow Clowes shareholders may easily learn what is going on in their names, simply by attending personally in the court of Mr Justice Peter Gibson and then passing on the information by word of mouth to their fellow shareholders. But they cannot hear about the case through the medium of any newspaper wishing to report the evidence. Why was the judge prevailed upon to impose such a ban on contemporaneous reporting of court proceedings?

The immediate cause for invoking a section in the Contempt of Court Act 1981 was an application for the ban on reporting by the Serious Fraud Office. That public authority had been alerted by reports that had appeared in a number of newspapers of counsel's putting submissions to the judge on the first day of the case. The concern was that material was being ventilated in public in civil proceedings which was directly relevant to criminal proceedings pending against Mr Peter Clowes and three of his business associates. The law of contempt says that, if it appears necessary for the purpose of avoiding a substantial risk of prejudice to the administration of justice in instant proceedings or any other proceedings, pending or imminent (such as a future criminal trial), the court may order the postponement of the reporting of the proceedings.

A general worry about this particular restraint on press coverage is that, in the absence of any statistical evidence, the statutory provision is being used by courts routinely. By the end of 1983, 88 orders had been made in the Central Criminal Court alone. Examples have arisen out of cases of football hooliganism in 1983, the trial of Soraya Khashoggi's chauffeur in November 1985 and a charge against Lord Blandford of supplying cocaine in October 1986. Let it be said instantly that Mr Justice Peter Gibson in the Barlow Clowes case displayed extreme reluctance in making the order postponing publication indefinitely.

He has already indicated that when he delivers his judgment he intends that there should be an agreed statement about the case that can properly be released to the press.

Before the 1981 legislation the position was altogether much more satisfactory. Any question of restricting reports of court proceedings was left to the complete discretion of judges and, even then, it was invariably done, not by order but by request to the press. During the trial of John Poulson in 1974, for example, Mr Poulson gave evidence about his association with another man against whom separate proceedings in conjunction with Poulson himself were still outstanding. The Times report of the proceedings carried a note stating that "it had not been able to report Mr Poulson's evidence fully because of Mr Justice Waller's request" to the press not to publish. The procedure adopted in that case was entirely helpful and was well-suited to keeping restrictions on press reporting to the minimum. Now, however, that parliament has spoken, flexibility has gone and judges feel constrained by the words of the statute to order postponement of the publication of court proceedings in many cases where previously they would not have done so.

The test for making the order of postponement of publication is one of necessity and not simply of desirability or expediency. Different judges however have different views as to what is necessary. The necessity is, of course, to avoid any substantial risk of prejudice. But unlike the test of contempt generally under the 1981 Act there is no explicit requirement in the case of a postponement of publication that such prejudice be "serious." Even if judges import the notion of seriousness before being persuaded to impose a ban, views will differ as to the risks of prejudice, serious or not so serious.

Some judges instinctively credit those who may find themselves serving on a jury in future criminal proceedings with short or defective powers of recollection or recall, or even an ability to put out of their minds anything which they have not heard in evidence in court. On the other hand, there is an all-too-ready assumption among some judges that prospective jurors must have read earlier reports of the case that they are trying and retained sufficient knowledge to influence their decision-making.

All that one can hope for is that judges, sensitive to the overriding need for open justice, will be robust in considering any ban on publication. Doubtless a Chancery judge, faced with the views of the Serious Fraud Office that there will be, in the particular case, a substantial risk of serious prejudice to the administration of justice, will bow to such commendable sensitivity by a public prosecutor for the protection of accused persons.

There is a great deal to be said for leaving all these matters to the good sense of editors under the guidance of judges uninhibited by parliamentary precept. A written rule tends to place the court in the strait-jacket of statutory interpretation and judicial rigidity in application. A code of practice rather than the rule of law will almost always provide a more acceptable solution. Perhaps the Government in its review of the law of privacy "and related matters" should include a study of the law relating to the reporting of court proceedings. In that way perhaps an unnecessary restraint on the freedom of newspapers to report what goes on in open court may be removed.

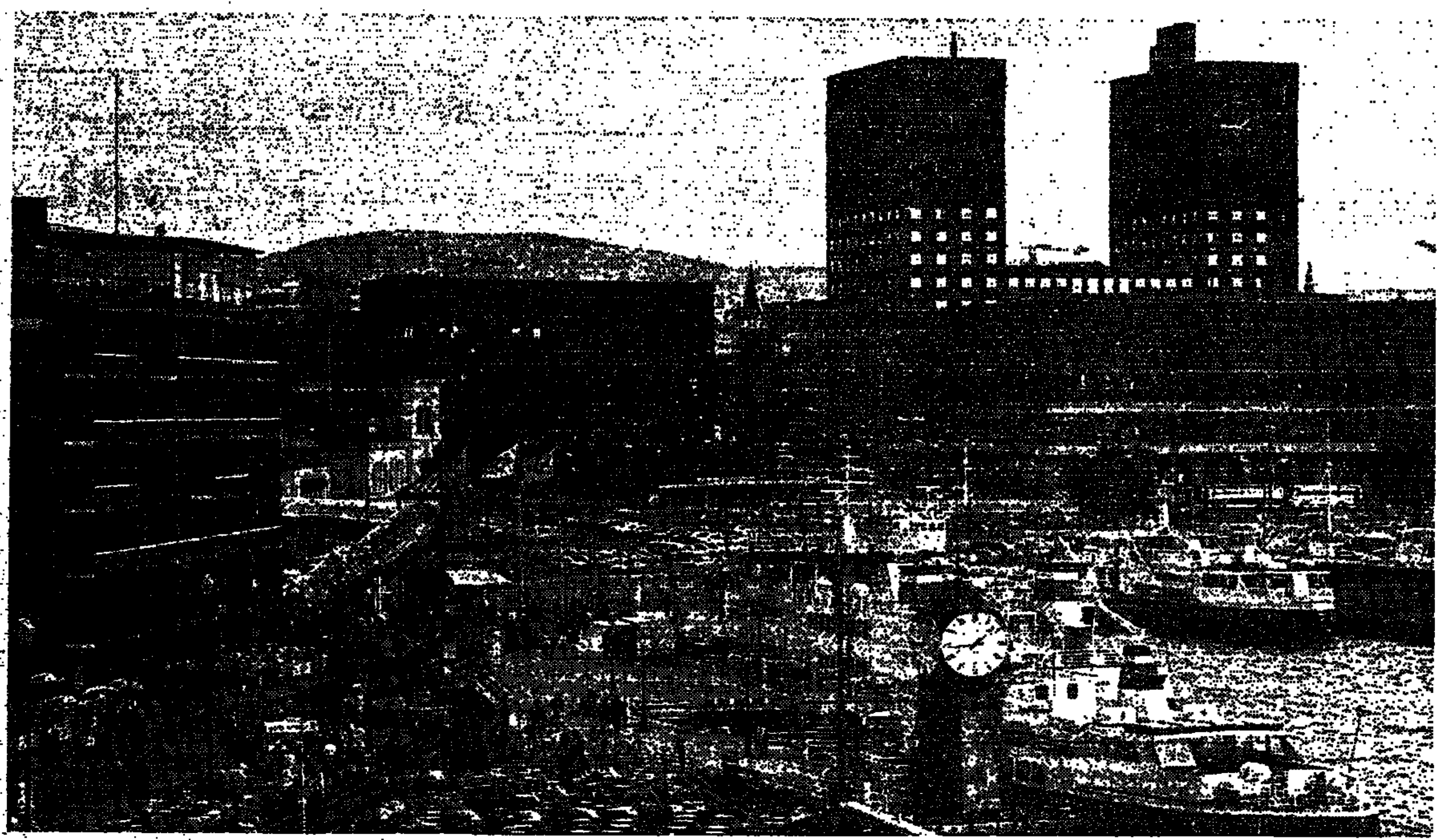
SECTION III

FINANCIAL TIMES SURVEY

A general election in September is likely to clear away some of the country's political uncertainties. While progress out of economic crisis continues, there is no clear sense of the direction the country is likely to take into the 1990s, writes Robert Taylor

CONTENTS

Photography: Alan Harper



Oslo harbour

NORWAY

A fragile revival

THE PUBLIC mood of Norway *this spring* is both volatile and apprehensive. No one is taking bets on the likely outcome of the general election due in September and, at the same time, there is no clear sense of the political direction the country is likely to take into the 1990s.

On the face of it, Mrs Gro Harlem Brundtland's minority Labour government should be looking forward to the approaching contest with reasonable confidence that it can win a fresh mandate. But, for a range of idiosyncratic reasons, no such confidence exists.

When Norway's formidable Prime Minister took office in May 1986, after the break-up of the non-Socialist coalition of Kore Willoch, she inherited the worst economic crisis that the country had faced since the 1930s. Plummeting oil prices had precipitated a cut in purchasing power totalling 10 per cent of the country's gross domestic product. The Organisation for Economic Co-operation and Development observed that this amounted to "a much bigger supply shock than any OECD country had to face during either of the two oil-price hikes in the 1970s".

Through a strategy of relative financial austerity and hard-headed pragmatism, Mrs Brundtland and her colleagues have pulled Norway back from the brink.

Mrs Brundtland called a halt to years of extravagance, when Norwegians spent and borrowed beyond their means on the back of North Sea oil revenues. Without a majority in Parliament the ruling Labour party has, with increasing effectiveness, adjusted the Norwegian economy to the consequences of lower oil prices.

Of course, there is still a long way to go, but the progress out of crisis has been real enough. In 1986 Norway had a current account deficit of NKr41bn. The Ministry of Finance now believes the country will enjoy a small surplus this year, mainly due to the recovery in oil prices. Inflation fell in February to under 5 per cent, the lowest level for over 10 years. Prices for the year as a whole are expected to rise by a mere 4 per cent.

During the seven years to 1987 Norway's export competitiveness suffered severely from high unit labour costs that were largely due to the excesses of the collective bargaining system. But last year's imposed government wage freeze proved to be surprisingly successful in keeping earnings increases down to 5 per cent. This spring employers and unions agreed on a further year of voluntary pay restraint, which should mean the rise in earnings will be kept down to 4 per cent. The government has won the overwhelming support of Parliament to impose penal sanctions against anybody who defies the incomes policy.

The general impression that the Norwegian economy is on the road to recovery has had a dramatic impact on the stock market. The index rose by 31 per cent between January and March this year, lifting stock market turnover to NKr22bn in the first quarter of 1989 – equal to turnover for the whole of the first six months of last year. Indeed, the Oslo exchange has been the best market performer in the world so far this year.

This reflects a well-founded optimism in the Norwegian corporate sector, which enjoyed average pre-tax profits growth of 60 per cent in 1988. Last month the market analysts Kleinwort Benson predicted profits will rise again this year by nearly a third.

It may seem rather surprising that a Labour government should have presided over such a revival of the private sector, but then Mrs Brundtland has displayed a keen sense of realism in what amounts to a deliberate encouragement of the market economy. The new atmosphere was well illustrated when the government decided to suspend the turnover tax on shares from 1 January for a year, a measure that pleased the stock market.

The strong evidence of a turnaround in the Norwegian economy might have been expected to produce some political dividends for the Prime Minister, but so far these do not seem to have materialised.

Similar political impetus ought to have been generated by Mrs Brundtland's high personal standing. Over the past three years she has become an important figure in international politics. In effect, she has become the inheritor of the mantle of the late Olof Palme, the moral conscience of the Nordic region. Herself a member of the Palme Commission on disarmament, she chaired a Commission on the Environment that reported in 1986 and has played a leading part in drawing attention to the global environmental crisis.

As a result, Oslo has become an increasingly important centre for international conferences. Last autumn Mrs Brundtland played host to a gathering of the Organisation of African Unity to discuss the plight of refugees in southern Africa. The Prime Minister is the current president of the European Free Trade Association (presidency rotates annually between member states), and it was her initiative to call a summit of Efta heads of government in Oslo in February to discuss possible changes in the basis of their relationship with the European Community ahead of the 1992 unification of its internal market.

Mrs Brundtland towers over Norwegian politics at the moment and until recently most believed she was unbeatable. A recent opinion poll revealed that 47 per cent of interviewees would prefer her to remain Prime Minister after the September general election. Only 17 per cent opted for Mr Jan Syse, leader of the Conservative party. No doubt, the Labour party will attempt to project Mrs Brundtland as Norway's saviour during the coming campaign.

But this may not prove enough to win the day. Like Palme, Mrs Brundtland may have more friends outside her country than inside it. The opinion polls suggest that the Labour party has lost ground in recent months with an upsurge of support for the unpredictable and populist Progress party led by the other charismatic figure in Norwegian politics, Mr Carl I Hagen.

In fact, the Norwegian voters have never since the Second World War seemed to be so volatile. It has been estimated by Dr Henry Valen at Norway's Institute of Social Research that one in every three are now changing their political loyalties between general elections. Such a dramatic dealignment of the country's political allegiances underlines the national mood of turbulence. It also indicates a wider mistrust of politicians and the political system than Norway's voters have previously shown.

In the opinion of Dr Valen this does not yet amount to a crisis of legitimacy in Norwegian politics, but rather that a continuing decline of confidence in those who run the country means, indirectly, a weakening of democracy.

Yet there is not an entirely negative attitude in the country. There are signs, for example, that Norwegian public opinion is moving slowly towards support for the country's entry into the European Community. A poll conducted three months ago by the organisation MMI found that 35 per cent of respondents supported Norway's membership, while 30 per cent were opposed and the rest had no opinion on the question.

In a surprising development over the past winter, both the Conservative leader Mr Syse and, more recently, Mr Hagen of the Progress party have come out in favour of a Norwegian application to join the EC as soon as possible. By breaking with the nationally agreed consensus of last year, which committed Norway to move closer into line with the EC's internal market, the two biggest opposition parties appear keen to make the EC a major political issue.

But for her part, Mrs Brundtland can be expected to move cautiously. Feelings in the Labour party remain sensitive over the EC. Many of its leading members still have bitter memories of the trauma of the 1972 national referendum on Norwegian membership – there was virtually a civil war atmosphere, particularly on the left. The 53 per cent No vote to EC membership then came as a deep shock to the political Establishment.

For the moment, the Prime Minister – whatever her personal instincts – seems unlikely to come out in favour of Norway joining the EC. Understandably, she wants to see whether the Efta strategy can bring the other market economies of western Europe into line with the EC without the need for membership. It is more than likely that this course of action will fail, but she has nothing to gain from *hurrying*.

The show-down in September will no doubt clear away some of the country's political uncertainties. Until the polls are closed, however, and the horse-trading begins, nobody can predict with confidence what is going to happen.

KEY FACTS

Population	4.2m
Area	324,000sq km
GDP	$64.5bn
GDP per head	$15,405
GDP % growth	1.5
Manufacturing output % growth	-0.8
Consumer prices % growth	6.7
Unemployment	3.2%
Exports, volume % growth	8.7
Imports, volume % growth	-3.4
Current account surplus	NKr-13.5bn
Exchange rate	$1 = NKr6.8220; £1 = NKr11.5225 (May 2 1989)

Robert Taylor surveys the turbulent political scene in the run up to a general election

Progress of a party with dynamic appeal

SEPTEMBER'S general election promises to be one of the most important and exciting in post-war Norway, marking the start of a more unstable period in the political life of the country. The main reason for the current volatility stems from the astonishing emergence of a new party with an apparently dynamic appeal.

At the 1985 general election, the populist and anti-establishment Progress Party polled only 3.1 per cent of the vote and won two seats in Parliament. Two years later in the local authority elections it performed dramatically better winning 12.3 per cent of the vote in the country areas and 10.3 per cent in the towns.

In the spring and summer of last year, Progress continued to enjoy an almost irresistible advance in its popular fortunes. Some polls actually recorded at that time greater support for the party than for the main Conservative opposition. But then, in the autumn, the popular backing for Progress began to slide almost as fast as it had gone up, so that by February this year it was less than 10 per cent.

Yet over the past two months, Progress has enjoyed another opinion poll upsurge. In April, its standing was between 15 and 18 per cent. If such a result were repeated in September, Progress would become an important third force and signal a decisive break with the post-war political settlement.

Of course, a great deal could still happen before the election but, perhaps for the first time, Norwegian commentators are beginning to take Progress seriously. There was certainly an air of self-confidence about its party conference at Christiansand last month.

Recent media attention angers Progress leader Carl I Hagen, who complains it is biased against the party, but as a brilliant and combative performer on television he has shown an agile skill in manipulating the media to his own advantage. It was after the live television broadcast of his keynote speech to the conference that support for Progress began to move up again.

Until recently, the party seemed little more than the personal vehicle of the 45-year-old Mr Hagen, who has played an active senior role in Progress since it was founded in 1973 and became its undisputed leader in 1978.

Mr Hagen studied at the Newcastle College of Education in the early 1960s – and he was a leading aspirant in the political antics of the National Union of Students when he knew Labour's present education spokesman, Mr Jack Straw. Before his political career he was the managing director of the Norwegian subsidiary of Tate and Lyle, the UK sugar refining company.

Although he has only one colleague with him in Parliament, Mr Hagen has played a pivotal role over the past four years. It was Progress which ensured Mrs Brundtland's minority Labour government took office in May 1986, and in the summer of 1987 Mr Hagen – true to his free market principles – refused to back a demand for higher agricultural subsidies made by the Conservatives as a crude device to win Centre party support in a manoeuvre to topple Labour.

Progress represents a decisive break with the consensus

His apparent ideological consistency and his determination not to abandon principles for short-term tactical advantage undoubtedly helped to boost his party's poll ratings.

It also left a residue of ill-will towards Progress from the traditional non-Socialist parties in Parliament. Relations with the Conservatives have recently grown better than they were and the two parties co-operate now in running various councils across Norway, most notably in Oslo. Yet there remains a considerable gap between Progress and the other opposition parties, which do not trust Mr Hagen and fear his populist brand of politics.

"The politicians and the bureaucrats are Norway's main problem," declared Mr Hagen to the loud applause of his party faithful at their annual conference and this underlines the almost anti-political nature of his appeal.

Progress represents a decisive break with the post-war political and social consensus. It calls for economic liberalism with sweeping tax cuts, privatisation, deregulation and the end of subsidies. But it also stands for social conservatism with tighter controls on immigration, and tough attitudes on law and order.

However, Mr Hagen is too shrewd a politician to call for the wholesale dismantling of Norway's welfare state. Indeed, his party argues that its own policies for the old and the sick – based on the insurance principle – will be more generous than the present government's. But he remains refreshingly outspoken on the need to phase out agricultural protectionism in line with the recent deal made by the General Agreement on Tariffs and Trade, though this could cost Progress some votes in the relatively deprived and subsidised rural areas of the north and central region of the country.

But then the special character of Progress's appeal is to the new forces in Norwegian politics. Dr Henry Valen and his colleague Bernt Aardal at the Institute for Social Research in Oslo have examined what has been happening in their recently published book – *Velgere, Partier Og Politisk Avstand.*

They lay particular stress on the emergence of the younger generation in Norway born in the 1960s, who are less convinced by the old verities from the heyday of Labourism, as well as on the growing importance of the gender factor in party allegiance.

Apparently, Progress has found its most enthusiastic support among men in their twenties, working in the private sector. The party is also stronger in the more affluent areas of the country in the west and around Oslo. This suggests that, unlike the protest vote in Sweden, which appears to have gone to the left beyond the Social Democrats to the Greens and Communists, in Norway the beneficiary of current discontents is Progress on the right.

However, Mr Hagen knows that he cannot rely on the catch-all quality of Progress for much longer – "we are changing now from being a protest movement into a political party," he says. "Our eventual aim is to replace the Conservatives."

This September he will be content enough if his party becomes the third biggest in Parliament. In those circumstances, he is prepared to compromises in the struggle for power like all the other political parties.

His position has been enormously strengthened by the failure of the Conservatives to make much headway over the past three years.

In 1985, the main Opposition party polled 30.4 per cent of the vote. Now it is running at between 22 and 25 per cent. Mr Jan Syse, the present leader, has so far not made much of an impact. He appears to lack the common touch, coming over as an intelligent but rather limited member of the Oslo upper middle classes. In the charisma stakes, he lies far behind either Mrs Brundtland or Mr Hagen.

Moreover, the threat to the Conservatives from Progress is real enough: they are taking two votes from Mr Syse's party for every one they have won from Labour. In recent months, the party has attempted to sharpen up its policies and establish a credible economic strategy, but its support for Mrs Brundtland's statutory incomes policy in Parliament recently, when Progress voted against it, suggests the Conservatives are keen to preserve a bipartisan attitude to the running of the economy.

The difficulties of reconciling the Conservatives and Progress reveal the lack of genuine unity against Labour in Norwegian politics at the moment.

In the view of Dr Valen the distance between some of the non-Socialist parties themselves is actually greater than the gap between them and Labour. The Centre party, for example, is strongly opposed to any post-election deal with Progress. It stands for subsidies for farmers and its commitment to the market economy is rather lukewarm. The Christian Peoples' Party, an important force in the middle ground, has high moral attitudes and a deep dislike of alcohol – and it perhaps regards Progress as little better than the Devil himself.

The tiny band of Liberals, who are not in Parliament at the moment but stand a good chance of winning seats in September, has shown a willingness to co-operate with the Conservatives but their generous attitude regarding aid to poorer countries and sympathy for immigrants is utterly different to the harsher views of Progress.

This diversity of positions threatens to fragment Norwegian politics in a dangerous way, particularly as eight new seats are being created in Parliament this time to provide greater representation for the smaller parties.

As long as they can clear the 4 per cent voting hurdle, all of them can expect to secure seats in Parliament, making it harder for a government to emerge. Unlike the other Nordic democracies, a Norwegian government has no power to dissolve Parliament and call a general election. The country continues to have fixed four-year terms.

It is not difficult to understand why many observers up until the last few weeks believed that, while there might still be a non-Labour majority in Parliament after the September general election, Mrs Brundtland stood a very good chance of staying in office until the autumn of 1993.

At least the Labour party still represents the largest single political force, though recent poll results suggest it can only rely on between 33 and 30 per cent. To its left there is the Socialist Left Party which has around 7 to 7.5 per cent support at the moment and this could be expected to give its backing to Labour in Parliament as it has done since 1986.

Yet there is no disguising the present turbulent state of Norwegian politics. The strong personality of Mrs Brundtland and the Labour party's pragmatic market socialism should count for much, as well as its reasonable record of economic achievement – but the days of Labour hegemony that really lasted from 1945 until the early 1970s appear to be well and truly over.

'Our eventual aim is to replace the Conservatives'

In the end, the outcome in September will depend on whether Mr Hagen's Progress party can really break the mould in a dramatic fashion and stamp its peculiar personality on the political scene. If this does happen, then Norway could be set for a period of protracted political paralysis, when what it really needs is another four years of strong government to grapple with Norway's economic troubles.

In fact, this could well prove to be Mrs Brundtland's biggest electoral card – "vote for me and Labour – or the chaos of the unknown." It is a familiar enough tactic in a multi-party democracy, but whether this will prove enough to carry the day is another matter. Norway is in too peculiar a mood at present for anybody to be sure what is going to happen four months from now.

DEFENCE

Support for Nato at an all-time high

THE DEFENCE of Norway is of crucial strategic importance for the rest of western Europe. In 1949 the country was one of the founding members of the North Atlantic Treaty Organisation, and today support for Nato among Norwegians is at an all-time high.

There is little sign of any sense of Nordic neutrality. Hitler's invasion in April 1940 destroyed any illusions among most Norwegians about the value of non-alignment.

"Nato has provided us with a real sense of security over the years," argues Mr Johan Jorgen Holst, the present defence minister. "It has also given us, as a small nation, a stronger position in the world than we would have had otherwise, and an influence we never had before. We are now used to being a western power."

During the emotional uproar in Sweden earlier this year, about the alleged barbaric Norwegian slaughter of baby seals, popular feelings in Norway's neutral neighbour erupted into anti-Norwegian outbursts – in particular, that the country was just an American satellite, a banana monarchy. Such attacks reflect more on Sweden's national psychosis than on Norway's clear-sighted view of its own defence interests.

"We have our back to Europe, looking out to the Atlantic," asserts Mr Holst.

There is a wide consensus in Norwegian politics that the country's defence is interlocked with that of the US and western Europe. Indeed, some observers believe that if Nato were to dissolve one day, Norway would lose no time in making a bilateral defence agreement with Washington. As Mr Holst argues: "The United States is the major underwriter of Norwegian security. For Norway there is no question of a European alternative to the transatlantic bonds."

It is not hard to understand why Norway adopts such an attitude. As Steve Miller, of the Massachusetts Institute of Technology, argues in his forthcoming article in a book on American withdrawal from Europe, to be published by the Stockholm International Peace Research Institute: without American military intervention, the Soviet Union "would succeed in securing effective control of northern Norway" and open the way for further advances to the south.

But Norway has never had American or Nato military bases on its national territory, and it continues to insist that there should be no peacetime facilities available for nuclear missile-carrying submarines, ships or planes in Norway either. This strategy has been followed since the start of the Cold War, and it is hard to envisage circumstances where it might change radically.

However, the potential threat from the Soviet Union to Norway and the north Atlantic sea-lanes remains obvious enough. Even under the relatively benign President Mikhail Gorbachov, Soviet military strength in the north remains considerable in the Kola peninsula and in the Leningrad region; though, as the Norwegian Government's recently published defence policy guidelines for the next four years indicates, there have been more discreet and less active Soviet exercises in northern waters since 1985.

At present, Nato ground forces exercise twice a year in Norway, and there remains surprisingly little American naval activity either, with manoeuvres of no more than a week or two a year by US carriers. The actual monitoring of Soviet submarines in local waters is carried out by Norwegian intelligence for the Americans. The recent Soviet submarine accident off Spitzbergen caused some confusion in Oslo when the Norwegian Ministry of Defence failed to notify Mrs Brundtland of it at once, and the news leaked out first in Washington.

Continued opposite

The crisis that threatened to undermine the economy three years ago has been averted

Attention can now turn to more distant horizons

NORWAY'S economic policymakers have been able to face springtime with greater cheer and optimism this year than has been possible since 1986.

No one would dare to say the mood is complacent, and it will be some time before officials risk relaxing the tough financial policies they have been following since the summer of 1986, but the crisis that threatened to undermine the economy three years ago has been averted.

Indeed, since the 1989 budget forecasts were published last autumn, the economy has improved at an unexpected rate. Bjoern Skogstad-Aamo, state secretary at the Ministry of Finance, commented: "Originally we expected a current account deficit of NKr11bn this year. Now we believe we will achieve a surplus."

Compare this with three years ago when the country's current account deficit totalled NKr41bn, as much as 8 per cent of the country's gross domestic product, and when Norway had the dubious honour of boasting the highest debt figure of any member country in the Organisation for Economic Co-operation and Development.

The rapid turnabout — particularly that of the past year — stems mainly from the rising price of oil on the world market which now stands at around NKr130 a barrel, far more than the NKr90 a barrel that the Norwegian government predicted when it was preparing this year's financial prognosis.

The total export value of Norway's energy products is now expected to increase from 1988's figure of NKr51.4bn to NKr60.1bn this year, while the 1989 crude oil production capacity is likely to average 1.6 million barrels a day, a rise of almost a third over last year's figure.

But it is not just the recovery in Norway's oil revenues that helps to explain the recent turnaround in the country's economy. The export performance in the traditional, mainland industries has also improved immeasurably over the past two years after the relative stagnation of the mid-1980s. From 1986 to 1988 exports rose by 20.2 per cent in volume terms — and 36 per cent in value terms — while imports dropped 12.9 per cent by volume.

The huge jump in the global price of aluminium and nickel has benefited Norway in particular, for the country remains an important supplier of both those precious metals on the world market. There has also been an upturn in Norway's exports of fish, chemicals, car components and paper and pulp over the past year.

The rapid turnabout stems mainly from the rising price of oil

The country's financial position has also been helped considerably over the past 12 months by the rise in net earnings from merchant shipping. These rose to just under NKr5bn in 1988 from NKr4.1bn in the previous year mainly because of growth in the number of ships flying the Norwegian flag following the establishment of the country's International Shipping Register. The size of the fleet now totals over 35.3m deadweight tonnes.

However, the industrial restructuring of the Norwegian economy, which most observers believe is necessary if growth is to be assured in the late 1990s as oil revenues and production begin to decline, has not yet got under way.

Structural change aside, Norway's economic vital statistics should provide genuine comfort for Mrs Brundtland's government in a general election year. The annual rate of price rises is expected to be around 4 per cent in 1989 compared with 8.7 per cent in 1986. Wages are expected to rise by only 4 per cent this year, compared with just under 6 per cent in 1988 – an achievement that is likely to be the envy of many of Norway's competitors.

The Ministry of Finance believes the country can improve its international competitiveness this year, with productivity expected to rise by 2.5 per cent, and unit labour costs rising by a mere 1.75 per cent in the manufacturing sector.

None of this has been achieved without a degree of belt-tightening. Total demand from the mainland economy fell by 5.3 per cent from 1986 to 1988, while the growth in mainland Norway's gross domestic product amounted to only 0.6 per cent during the same period. This year the Ministry of Finance expects a real increase of 3.3 per cent in the country's GDP.

The financial austerities in force since the summer of 1986 have inevitably caught up with the labour market, where registered unemployment began to climb rapidly over the winter months. Last year an average of 49,300 people were registered jobless, 2.3 per cent of the total workforce. This rose to 85,800 people, just under 4 per cent, by the end of February. This may not seem a particularly large number by comparison with other western European economies but for many Norwegians it has revived memories of the dismal thirties.

In March Mrs Brundtland announced a NKr4bn package of measures designed to create jobs for an estimated 30,000 to 35,000 people over the coming months. The main thrust is on labour market training and job creation schemes as well as a cut of NKr106m in employers' taxes.

The most innovative idea in the new programme has been the creation of what is called the 'Work for Your Benefit' scheme, administered by the local authorities. This combines socially useful work for the participants with time off for them to search for regular work or improve their job qualifications. Each person will spend six months on the programme with the possibility of a further four month extension.

The crisis employment package may go some way to reassure traditional Labour party voters that the government intends to do all it can to soften the harshness of the labour market but it has cast a shadow over Mrs Brundtland's strategy for Norway's economic revival. However in March the dole queues fell back to 3.6 per cent of the workforce, suggesting that the worst might be over.

This spring the Ministry of Finance published its medium and long-term forecasts. The document reads perhaps at times more like a general election manifesto than an objective assessment of the economic outlook and it has drawn some criticism for appearing to suggest that Norway need not adopt any radical changes to ensure its continuing prosperity. There is, for example, a reluctance to confront the issue of the absurdly high subsidies enjoyed by Norway's over-protected farmers, which in 1987 totalled NKr10.1bn.

None of this has been achieved without belt-tightening

But the overall economic programme reflects strong endorsement of demand management policies and demonstrates just how far the Labour government has come in its support for a market approach as the solution for Norway's economic problems. There is a call for a higher return on industrial investments, encouragement for companies to accumulate greater equity capital, more tax reform "so that it will be more profitable to save and less profitable to borrow", greater saving in enterprises and households and lower interest rates.

However, there are no plans to roll back the country's public sector, which accounts for 49 per cent of Norway's GDP. On the contrary, the strategy hopes to see a real average annual growth rate of 1.5 per cent in public spending, in parallel with a similar development in the private sector. Priority will be given to public spending in transport, research and development and higher education, but new welfare benefits are expected to include maternity/paternity leave amounting to 42 weeks on full pay, with the alternative of a year with 80 per cent pay.

The key forecasts up to 1993 suggest:

- Annual GDP growth of 1.75 per cent, with slightly slower growth after 1993 as petroleum revenues decline.
- 2 per cent annual growth in public and private consumption to 1993 and higher after that year.
- Public and private sector investment rising by 3 per cent a year until 1993 and then by 2.5 per cent until 2000.
- mainland Norway's exports rising by 3.75 per cent a year until 1993 and then by 4 per cent a year to 2000. Imports are expected to grow by 3.5 per cent a year up to 1993 and then by 3 per cent a year to the end of the century.

These long term statistical predictions should obviously be treated with caution, given the uncertainty of world economic conditions. Moreover, the future of Norway's relations with the European Community, as well as its role as a major oil and gas producer, could change significantly over the next decade.

The general mood has nevertheless recovered to the point where Norwegians can lift their heads from economic crises immediately ahead of them and turn attention to more distant economic horizons. The "good old days" that prevailed before 1986 may not return for many years, but at least the crisis talk has gone, and some years of relative comfort lie in prospect.

Robert Taylor

Strong support for Nato

Continued from previous page

The Norwegian Government provides the US with logistical and operational support, agreeing to allow American forces to stockpile ammunition, fuel and spare parts, as well as provide shelters for US fighter squadrons from carriers in time of war. In 1981, Norway reached agreement with Washington to provide equipment for a marine amphibious brigade in central Norway, including artillery trucks and towing vehicles.

Strategic pessimists fear that a Soviet military attack across the Soviet frontier in the far north would sweep all before it, but others believe this under-estimates the difficulties of coming over a rugged and desolate terrain, subject to extreme weather variations and dark 24 hours a day in the winter months. It is pointed out that it is as far as 1,000 km from the Soviet border to the important Norwegian bases that lie just north of the Arctic circle, providing severe logistical difficulties particularly for communications.

Soviet forces are not kept at high levels of readiness in the north, so that in an emergency their mobilisation could not happen quickly, allowing time for a Nato counter-preparation. As Steve Miller points, when the Nazis invaded the very north of the Soviet Union, in June 1941, they advanced only 24km and incurred 10,000 casualties trying to get to Murmansk.

This winter, Mr Holst announced a real increase of 2 per cent in the Norwegian defence budget, up to 1993, a total of NKr9.6bn. But this involves a restructuring of the forces, with economies and productivity improvements. Before last year, Norway spent around 3.2 per cent of its GDP on defence, the fifth highest figure in Nato. In 1987 only the US among Nato members spent more per capita than Norway.

The Norwegian Government dislikes the idea of any immediate decision to modernise short-range nuclear weapons in West Germany by Nato.

"We are sceptical of giving that a high priority," admits Mr Holst, who wants to see serious talks with the Soviet Union on further arms reductions. In his opinion, what the west lacks is "a view of the role of nuclear weapons" in the "transition stage from the end of the Cold War". "We must walk with caution and open eyes," he declares.

But Norway's robust and knowledgeable defence minister values continued American military involvement in Europe. "Visible, reliable US military engagement on this continent is the *sine qua non* of everything," he admits.

In today's much more relaxed international atmosphere, Norway is keen to see further progress towards disarmament, but it will not jeopardise its own security in the process. Its small land frontier with the Soviet Union, and continuing differences of opinion over lines of sovereignty in the Barents Sea, ensures that the country cannot afford to neglect its own sensitive strategic position.

Robert Taylor

FINANCIAL MARKETS

Bourse moves from strength to strength

THE GOVERNMENT is considering major changes in legislation, in order to liberalise Norway's financial markets, after abolishing the 1 per cent turnover tax that had been implemented at the start of 1988.

Foreign investors may be allowed to own up to 33⅓ per cent in Norwegian companies, instead of the current 20 per cent.

Most analysts agree that the abolition of the turnover tax removed an important psychological barrier, which had limited trading in Norwegian shares.

This year the stock market has gone from strength to strength, for a number of reasons. These include: high oil prices, favourable developments in the economy, record results by a handful of blue-chip stocks, and the more "market friendly" attitude of the Government.

On April 19, the Oslo index hit its highest level ever (489.30 points), having taken nearly two years to shatter its previous pre-crash record. At its lowest this year, on January 2, the index sank to 342.79.

Last year saw the bourse implement electronic trading. Though share prices rose by 37.7 per cent in 1988, the value of shares traded dropped 47.5 per cent, from 1987 levels, to NKr31.6bn.

The year also saw the market value of listed companies rise to NKr103.5bn, from NKr74bn in 1987. Listed companies raised NKr4.1bn in share issues (NKr2bn in 1987), helped by a NKr2.5bn share issue launched by Norsk Hydro, Norway's largest publicly quoted company. Seven new companies were listed on the bourse, though 18 were stricken. Some 302,463,676 shares were traded, compared with 214,105,095 the previous year.

Between December 30, 1988, and April 21 this year, the bourse rose by 40.74 per cent to

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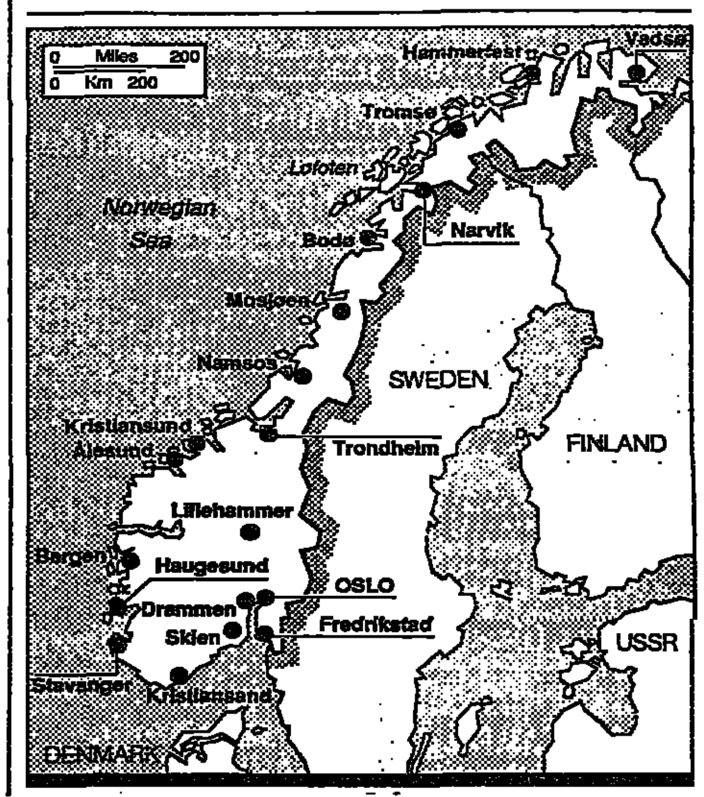

Under-capitalisation is the most serious of industry's problems, explains **Karen Fossli**

Package aims to raise venture capital

ONLY TWO Norwegian companies were listed in last November's FT Top 500, a survey of Europe's biggest companies rated by market capitalisation.

Norsk Hydro, Norway's largest publicly-quoted company, was in 84th position. Hafslund Nycomed, which has main interests in pharmaceuticals, light metals and energy, was 310th.

In contrast, Sweden, Finland and Denmark were represented by 31, 18 and 4 entries respectively.

The absence of Norwegian names illustrates the most serious problem that faces the country's companies, and hence its industry: under-capitalisation.

Little export orientation and a lack of competitiveness are other challenges that face a country which is seeking to wean industry away from government subsidies and to minimise its reliance on oil and gas revenue.

In addition, equity-to-debt ratios have fallen to historic low levels, forcing concentration and efforts to be shifted towards raising fresh capital to continue existing domestic goals and strategies, at a time when competitors are extending roots outside domestic boundaries into European Community countries.

However, two-thirds of Norwegian net long-term direct investments in industrialised countries – NKr11.9bn in the period 1986-1988 – flowed to the EC, according to the central bank, which defines direct investment as the acquisition of a certain portion of a foreign enterprise.

In view of the mounting problem of under-capitalisation, two separate efforts are under way in Norway. One was announced by the minority Labour Government in its 1989 Budget. A package of measures could, in the short term, help make available venture capital so desperately needed in the commercial sector.

A new venture capital company, Norsk Venture A/S, is to be established, jointly owned by the state, which will have a 49 per cent stake, and private interests which can subscribe to the remaining 51 per cent. It will supply newly-established companies with the venture capital they need, but cannot acquire because of limited equity and investments which stop short of qualifying as collateral needed to raise fresh capital.

Norsk Venture will have NKr600m in share capital, of which 49 per cent, or a maximum of NKr294m, will be supplied by the state.

The other investment vehicle, Synergos, was launched last month by Volvo of Sweden and four Norwegian partners. It aims to take friendly stakes in Norwegian companies, which it may then assist in restructuring.

Synergos was established with a capital of NKr1bn. Volvo and Norsk Hydro will each own a 30 per cent stake, while Christiania Bank, one of Norway's leading banks, and Uni Forsikring, the second-biggest Norwegian insurance company, will each take 15 per cent. Norske Skog, the leading Norwegian pulp and paper company, will take the remaining 10 per cent.

It will identify Norwegian companies with growth potential, in which investments of up to 25 per cent will be made over a two- to four-year period. Aims include the restructuring of companies identified, to enable the shares to be resold at a profit, and the strengthening of their competitiveness.

Little export orientation and a lack of competitiveness are other challenges that face a country which is seeking to wean industry away from government subsidies and to minimise reliance on oil and gas revenue

The Norwegian Export Council, which markets Norwegian industry abroad, says the central task of export strategy is to increase market share in the EC, though others argue that expansion of market share in the US and Japan should not be overlooked.

The EC accounts for 55 per cent of Norway's foreign sales of traditional commodities, while two-thirds of shipping earnings come from shipments to and from the EC. By contrast, European Free Trade Association (Efta) countries – of which Norway is one – account for about 22 per cent of exports.

The US, on the other hand, is Norway's fourth largest trading partner. Commodity exports to the US in 1988 increased to NKr7.1bn, an 8 per cent rise over 1987. Sales included NKr1.7bn in metals, NKr1.5bn in machinery and NKr1.1bn in fish and fish products.

In 1988, metal exports rose by 70 per cent over the previous year, while machinery exports rose by 20 per cent, though exports of fish and fish products fell by one-fifth.

Arthur Young International, one of the world's leading accounting firms, recently completed a survey of Norwegian businesses in the US, which argues that, though there are numerous opportunities for Norwegian companies in the American market, their approach lacks strategic planning.

"Mistakes resulting from unfamiliarity with [American] ways of doing business could be minimised through proper preparation, analysis and execution," argues Arthur Young.

The survey, which questioned 159 Norwegian companies, noted that 76 per cent of those polled entered the US with newly formed operations, 12 per cent acquired a US company, and 12 per cent entered a joint venture co-operation with an established American firm.

Although Arthur Young believes that Norway markets itself well, critics complain of a fragmented approach that lacks a clear strategy.

The few companies that can afford to do so have expanded out of Norway, where production, materials and staffing costs have become prohibitively high. Of Norway's 50 largest companies, 35 have established a foothold in the EC.

Expansion problems can also be attributed partly to size. Of a total of 13,000 Norwegian companies, just 500 employ more than 200 people, while the majority employ fewer than 20.

Last January, Elkem, the light metals group, increased its stake in Alcoa Nederland to 50 per cent from 25 per cent, "to gain a stronger foothold in the EC's aluminium industry". Elkem supplies about 80 to 90 per cent of annual aluminium production to the EC market.

In March last year, Aker, the large Norwegian industrial group, through its participation in Scancem, a Swedish-Norwegian joint venture, bought UK-based Castle Cement, which was owned by Rio Tinto Zinc, making Scancem the fourth largest cement manufacturer in western Europe and doubling its production output.

Norway lost one of its main shipbuilders, Kvaerner, a year ago when it bought British Shipbuilders Govan yard. Kvaerner has given up shipbuilding in Norway, because of high costs. More recently, Fred Olsen, the elusive shipping magnate, bought a major stake in Ireland's Harland and Wolff shipyard.

Dyno Industrier, the Norwegian diversified chemicals

Continued opposite

Strong stock exchange performance

Continued from previous page

480.67. A breakdown of the four indices shows that the strongest recovery was staged by the bank index, which rose by 67.25 per cent, helped by significantly improved bank earnings.

Although, last July, foreign investors were given the right to boost their shareholdings in Norwegian banks to 15 per cent, from 10 per cent, there was little enthusiasm, because the banks suffered a total of NKr4.2bn in losses on loans and guarantees – up from the 1987 level of NKr3.2bn.

According to London-based analyst Carnegie International: "With interest margins currently very wide, as a consequence of significantly reduced interest rates and virtually unchanged lending rates, and the prospects of substantially reduced losses on loans, 1989 is expected to be the year of recovery for the Norwegian banks."

Last autumn, Norway's savings banks introduced primary capital certificates, a new financial instrument, to increase their share capital, which will be listed on the bourse.

From the end of December 1988 to April 21, the insurance index, improved by some 48.1 per cent, though this can hardly be explained by improved earnings. In 1988 the insurance share index had dropped by 17.8 per cent, which could be explained by a record 30 per cent increase in total claims, for which fire alone reached NKr3bn. What little market interest there was in the insurance index came mostly from merger expectations.

A government-appointed commission has recommended that insurance companies' equity holdings limits be lifted to 25 per cent of total assets, from 12 per cent, though currently they have just between 2 and 3 per cent of their capital invested in equities. It has also recommended that the banks' equity holdings be doubled to 4 per cent, though the banks have remained cautious on equity investments after suffering huge securities losses caused by the world stock-market crash.

The industry index, in the same period, improved by 39.27 per cent, driven by strong world trade growth, which fuelled an increase in traditional Norwegian exports such as pulp and paper, while metal prices continued to maintain high trading levels.

From March 1, the oil index, consisting of three companies – Norsk Hydro, Saga Petroleum and DNO – was incorporated into the industry index, adding to its rise of late because of soaring oil prices.

Norsk Hydro, with main interests in oil, metals and fertiliser, accounts for about 45 per cent of the bourse's total turnover. It is listed on 11 foreign stock exchanges, and Oslo handled about one-third of its total share turnover in 1988.

The shipping index has also helped Oslo's boom with a 26.73 per cent rise between December 30 and April 21. Shipping has been in low demand amid weaker spot freight rates, however, though second-hand prices for ships have been maintained. In 1988 the shipping share index rose by 102.7 per cent. Listed shipping companies accounted for 18 per cent of the total bourse value, compared with 12 per cent in 1987.

Bergesen became the first Norwegian shipping company to be quoted internationally last June, when its shares became quoted in London.

The outlook for the bourse for the remainder of the year seems bright, though this depends on oil prices resisting a sharp fall and the Government's ability to resist the temptation to re-introduce the share turnover tax.

Mr John Whitehead, an analyst with London-based Robert Fleming Securities, says the Norwegian Government's determination to turn around the economy, combined with the current high level of world crude oil prices, makes the Oslo market outlook "uncannily good".

Carnegie says that Oslo is among the lowest valued markets in the world, "on a prospective p/e ratio of 8.4", though it forecasts that, as the Norwegian economy continues to improve and international investors show increasing interest, the discount to other European markets, in particular the Swedish, will not be maintained.

Though most analysts seem to accept that a correction would be natural after a period of such rapid gains, there is no consensus on when it will come. Domestic interest rates have been cut significantly since last year – from 13.4 per cent at the beginning of 1988 to 11 per cent by February this year – but further reductions could be on the horizon.

The Government is expected this month to respond, in its revised budget for 1989, to a package of measures proposed by the Kleppe Committee, which has suggested further liberalisation of Norway's financial markets.

Among the measures the Government is meant to address is a proposal to re-open the bond market to foreigners, after five years of closure. Last year turnover of bonds fell to NKr99.1bn from NKr129.8bn, while certificates dropped to NKr42.2bn from NKr47.9bn. The number of bonds quoted on the exchange in 1988 increased to 950, representing a nominal value of NKr202bn, or about 85 per cent of the total outstanding by the year's end. Total volume increased by 9.4 per cent, from NKr184.8bn.

Public subscription to bond loans reached NKr18.7bn, about the same level as that in 1987. About NKr35bn worth of bonds were issued in 1988, though none was convertible or with purchase options, compared with NKr30bn in 1987. For the second year running, no new government bonds were issued.

The Kleppe Committee has also recommended that the Government scrap currency regulations ahead of 1992.

A separate committee, led by Mr Jarle Bergo, has suggested increased tax relief through equity investments, and a higher ceiling on insurance and pension fund investments in shares.

Extended tax relief for savings put into equity investments, from NKr3,000 to NKr5,000 for individual investors and from NKr6,000 to NKr10,000 for married couples, is also under consideration.

In 1988, foreign investors were net buyers of Norwegian shares for NKr2.2bn, compared with NKr1.9bn in 1987. By the end of March the bourse had a market capitalisation of NKr138.2bn.

Karen Fossli

Accounts reporting strengthened

SIX Norwegian organisations with main interests in economics and accountancy, including the Oslo bourse, joined forces last month to establish the Norwegian Accounting Standards Foundation (NRS).

NRS's mandate will be to develop and publish generally accepted accounting standards in Norway, as well as to provide interpretation on matters of principle in connection with published standards.

One of the driving forces behind NRS is the Oslo bourse which, during an investigation into the accounting practices of listed companies, found that off-balance sheet reporting in an "unsatisfactory manner" and the use of "extraordinary items", among other practices, has been exploited by Norwegian companies, particularly insurance companies and banks.

NRS will have a two-tier structure. A six-member supervisory board will be administrative, and ensure that the foundation meets its objectives. The second tier will be a 10-member accounting standards board, with authority over all technical matters.

Norwegian accounting principles, which fall under the so-called "company law", have hitherto been supervised by the state-authorised Auditors Association, but in recent years the bourse has sought to strengthen the quality of accounts reporting.

Other interested organisations have sought to implement their individual standards for accounting practices, which has led to fragmented standards and practices, according to Mr Nigel Wilson, director of analysis and control, at the bourse.

Kredittilsynet, the Norwegian Banking, Securities, Insurance and Exchange Commission, has also strengthened requirements for accounting practices, and will in future put more emphasis on control.

Another function of NRS will be to harmonise Norway's accounting principles with internationally accepted principles. An early priority will be to update a set of 17 accounting recommendations, which are no longer in step with current reporting practices. However, the Ministry of Finance will have the last word on NRS proposals.

K.F.

Norway has recaptured its position as a leading maritime nation

Sailing away from the doldrums

NORWAY's shipping industry will require up to NKr90bn between now and the end of 1995, to modernise the fleet and increase its tonnage.

Based on this estimate by the Norwegian Shipowners' Association (NSA), owners have to raise between NKr15bn and NKr20bn in new equity capital.

Norway currently owns about 6 per cent of the world fleet, an increase of two percentage points in the last two years. There is no doubt that Norway has bounced back to recapture its position as a leading maritime nation, after its shipping suffered a debilitating decline in the late 1970s.

Although this success has been fuelled by a general increase in global shipping, the fact that the Norwegian shipping community operated from a high-cost base obliged it to use its imagination to take advantage of the rise.

According to Mr David Vikoeren, director general of NSA, the establishment in 1987 of the Norwegian International Shipping Registry (NIS) not only provided a Norwegian alternative to low-cost ship registries ("flags of convenience"), by offering broadly similar savings on crew costs; it also restored the health of Norway's ailing shipping industry.

NIS prevented Norwegian tonnage from being wiped out, and is credited with being the powerful stimulus for recent growth. Between January 1, 1985, and July 1, 1987 (when NIS was launched), the Norwegian-flag fleet shrank from nearly 27m deadweight tonnes (dwt) to 9m dwt. This coincided with a near-doubling of the foreign-registered Norwegian-owned fleet, which was seeking to escape from high domestic operational costs.

Norway's recovery from the shipping doldrums can be measured also by the growth in the total fleet — NIS-registered ships, Norwegian-flag ships and Norwegian-owned foreign-flag ships — from 967 ships, in January 1987, to 1,197 last month.

Also in April, NIS-registered ships totalled 495 of which 56 are foreign-owned, far surpassing the expectations of its founders and critics alike. By contrast, Norwegian-flag ships totalled 306 while Norwegian-owned foreign-flag ships reached a total of 405.

In addition, some 400 ships are operated under Norwegian management contracts or time-charters, bringing the bottom-line tonnage, in which Norwegian interests are involved, total to about 55m dwt.

Approximately 70 ships are waiting in the wings for NIS registration while just 37 have been deleted from the records during the last two years — the majority of which have been sold abroad while the remainder have reverted to the national Norwegian register. The gross economic output of the Norwegian registered fleet increased to approximately NKr33bn in 1988 from NKr28.8bn in 1987.

Norway's maritime industry employs 72,000 and purchases on the order of between $600m and $700m worth of goods and services annually. Also indicative of the positive spin-off effect of NIS is the surge in orders from the shipping sector for goods from mainland Norwegian industries which expanded by a full 100 per cent to NKr2.4bn last year from NK1.2bn in 1987.

Together, annual exports reached about $1bn.

In 1988, Norwegian shipping companies purchased about $2.3bn of new and second-hand tonnage. This expansion has continued into 1989 and by February Norwegian shipping companies had placed more than 55 new-building orders for ships in ten different countries.

Privately, concern has been expressed that Norway's banks, which for three years running have suffered considerable losses on loans and guarantees, are ill-equipped to serve the growing needs of Norway's rapidly-expanding fleet.

There are also growing fears that in the medium-term Norway could lose some of its shipbrokers, shipowners and shipmanagement expertise to London which is fast becoming the vortex of the world's shipping business.

For some it may simply a case of widening their international base despite Oslo's struggle to maintain a position amongst the world's shipping centres. The Osco group of Norway, for example, recently placed its products carriers tonnage in the hands of the newly formed Tanker Brokers International (TBI), headquartered in London.

According to Osco the move was designed to enable it to derive maximum benefit from the greatly enhanced international character in London in the wake of the recovery of global shipping while benefiting strongly from its Norwegian identity.

Though the Norwegian fleet has increased, it is mainly through the acquisition of second-hand tonnage. Mr Vikoeren contends that this has not allowed modernisation of the fleet; a requirement which will soon need to be met.

This trend is not purely marked by the Norwegian fleet, but it underscores the state of the world fleet, the average age of which is also steadily increasing. A Norwegian Government report estimates that around 21 per cent of the world's fleet in 1980 was older than 15 years, whereas in 1988 a full 30 per cent was older than 15 years.

The registry not only provided a Norwegian alternative to 'flags of convenience', by offering broadly similar savings on crew costs, it also restored the health of Norway's ailing shipping industry

This is further emphasised by the age structure of tankers, OBOs and bulkers which is given by Oslo-based shipbroker RS Platou in its annual report for 1989.

According to Platou, 34 per cent of the world tanker fleet was built before 1975; 52 per cent of the OBO fleet was built in 1979 and 29 per cent of the bulker fleet was built in the same period.

The percentage of the fleet built before 1970, according to Platou, is respectively eight per cent, six per cent and eight per cent.

According to Mr Vikoeren, modernising Norway's fleet will be possible only if the taxation system can be overhauled to allow profits to be set aside without penalty for reinvestment in new tonnage.

Mr Vikoeren also believes that another challenge in future will be to attract foreign shipping companies and investors to Norway. This will require liberalisation of Norway's tax regime, however, to allow new risk capital to be raised.

"Harmonising Norway's currency regulations with the Common Market's and other shipping countries' will also have to be undertaken," according to Mr Vikoeren.

Norwegian authorities are examining possible tax reforms. In a recent report to the Storting (Norway's Parliament), a proposal is made for the elimination of the liability of foreign seafarers domiciled outside the Nordic countries, to pay income tax to Norway.

Since the inception of the NIS, there has been a debate in shipping quarters as well as in the Storting standing committee on shipping over the rules relating to the taxation of foreign nationals investing in Norwegian shipping. Critics contend that the rules are excessively stringent in addition to being unclear although the Government has decided that there is no need to adjust the existing taxation scheme.

Though NIS has done much to refuel Norwegian maritime growth, Norwegian shipowners have also strengthened market position by specialising in purpose-built vessels to serve specific market segments.

The Norwegian chemical fleet, for example, represents 25 per cent of the world tanker fleet; Norway's gas tankers comprise 16 per cent of the world gas tanker fleet while the Norwegian cruise ship fleet continues to remain in the forefront of that market sector.

Specialisation is a unique feature of Norway's shipping industry. Osco, for example, developed the innovative 'Superflex' concept which accommodates a large carrying capacity and revolutionary tank design which can be converted from 'dirty' to 'clean' in a relatively short period of time.

In the specialist marine insurance sector of protection and indemnity (P&I), southern Norway-based Gard P&I Club captured half the total tonnage which changed hands worldwide in February this year. Soaring into second place in the world league with respect to tonnage entered, Gard acquired a significant proportion of the 2.5 per cent of the world's tonnage which shifted to new clubs.

The Norwegian America Line (NAL), however, has expanded into new areas of industrial shipping. Once identified almost synonymously with passenger liners, NAL has forged new inroads into other areas of shipping and is currently ranked amongst the world's top car carriers in a market which it considers as having reached an advance stage of maturity dominated by few large operators.

By linking its car carrier business with timber transports, NAL has optimised its current company transport infrastructure to bring timber one way while carrying cars the other way. For 1989, gross freight revenue is forecast to reach NKr950m, against NKr761m in 1988, as NAL evaluates further diversification into other transport sectors.

For all its recovery, the boom in Norwegian shipping has done little to revive the Norwegian shipbuilding industry which has seen its workforce dwindle to a mere 3,500 by the end of 1988 from 12,000 at the end of 1978.

Annual production from Norwegian yards 10 years ago comprised 163 ships, or an aggregate tonnage of 490,000 grt of which 59 ships (181,000 grt) were exported. By the end of last year this production rate plunged to a mere 65 vessels totalling 123,500 grt of which 41 ships (106,500 grt) were exported.

Last year Kvaerner, the Norwegian engineering, shipping and shipbuilding group, declared that it had given up shipbuilding in Norway because of the high cost of materials and labour. Kvaerner bought state-owned British Shipbuilders' Govan yard in Scotland, or 40 per cent of British Shipbuilders

Ships built in the UK qualify for a subsidy of up to 20 per cent of contract price under European Community regulations.

More recently, Fred Olsen bought Northern Ireland's Harland and Wolff yard underlining, yet again, the prohibitively high costs of shipbuilding in Norway.

Karen Fossli

FISHING INDUSTRY

Quotas protect cod

NORWAY'S fishing industry has been restructuring over the last 20 years since quotas were introduced to prevent over-fishing of the North Atlantic. The number of active fishermen has halved to about 30,000, but the number of Norwegians who are dependent solely on fishing for a livelihood has risen to its highest level ever in that period.

Fishing contributes about 2 per cent of Norway's gross national product. The export value of Norwegian fish increased to NKr11.4 bn in 1988 from about NKr10bn the previous year.

Recent years have seen an expansion in the contribution to export earnings by farmed fish which last year accounted for between NKr4bn-NKr5bn or about 90,000 tonnes. This was nearly double the tonnage of fish farmed in the previous year. Though fish farming is rapidly expanding its exports of salmon — in 1987 Norway supplied about 80 per cent of the world's farmed salmon — and halibut, it does not offer the number of jobs which traditional fishing does.

There are about 659 hatcheries and 747 fish farms which produce mainly salmon, though this is forecast to double by the early 1990s if expansion into farming other species like cod, halibut and turbot is successful.

Some 700 processing plants spread along the Norwegian coast which convert catches into fresh, frozen, canned or dried fish, or into fish meal and oil.

The Norwegian fleet deploys some 22,000 vessels including 13,000 small open boats. Last year's catch by traditional fishing in Norway's vast northern waters yielded just under 2m tonnes, slightly less than the previous year's catch.

Norwegian arctic cod, which is the mainstay species of the fishermen, requires careful management. Because of this, cod quotas are strictly enforced to ensure stocks enough to fill the quotas of each successive season's catch.

For 1988 Norway miscalculated the availability of cod and what was originally forecast to be a bumper year turned out otherwise and forced quotas for 1989 to be pared back by more than 22 per cent. This was aggravated by an algae invasion from the Baltkan Sea which destroyed NKr25m-worth of farmed fish. This year was meant to top the yield of the last years.

The calculation that there would be an abundance of cod was right, but Norway got it wrong when it forecast that there would also be an abundance of herring and capelin, the fish on which cod feed. Consequently, the cod not only fed on themselves but those which did not were unable to achieve their normal rate of growth.

This year, because of ideal weather conditions, Norway's fishermen managed to fill their cod quotas early and this has posed a dilemma for the Government which now must consider either to allow the fishermen to draw early from their autumn quotas, or to reject their request, forcing a short-term crisis. On the other hand, allowing them to draw early from this autumn's quota will force the same situation, though in reverse.

This is particularly serious for those in the northern region of Finnmark, where the bulk of Norway's fishermen — around 16,000 — are based. The area suffers from some of the highest unemployment and bankruptcy rates in the country and has only limited employment opportunities.

Last year Finnmark's fisherman were also plagued by a large seal invasion which drove the cod which they did not manage to eat from the area. The seals destroyed the nets of the fisherman, forcing extra Government support to the area which has seen a decline in the last 12 years.

One of the goals of the minority Labour Government is to realign, and thus streamline, the fleet and the onshore processing part of the industry which is suffering from overcapacity since quotas were introduced.

To achieve this realignment the Government has had to concede a high level of subsidy which this year has doubled to NKr900m. Failing to subsidise at such a high level could force the industry to collapse, believes Mr Jon Lauritzen, a spokesman with the Fishing Ministry. "We do not want to restructure the fishing industry by forcing it into bankruptcy," he explained.

However, there are bright spots in Norway's fishing industry. Herring stocks are replenishing after an absence of almost 20 years and this, in turn, will increase cod stocks.

Mr Lauritzen says the main challenges facing the fishing industry are to rebuild the mainstay stocks of cod, capelin and herring, maximise profits for each kilogram of fish landed and to increase market share in the US and Japan.

Though Norway's fishing industry has reached a high level of sophistication in recent years, Mr Lauritzen admits that there is some way to go before it achieves the high level of its main competitors, Iceland, the Faeroe Islands and Denmark.

"We are mainly a raw fish exporter which supplies about 55 per cent of our catch to the EC for processing into finished products. Since we are not an EC member we will have to adapt to the future by becoming more efficient in delivering as sophisticated products as we can under the conditions which prevail in the EC."

Karen Fossli

Industry package

Continued from previous page

group, last year bought a 50 per cent stake in the second largest Australian explosives company, DuPont Wesfarmers, merged it with two Dyno companies in Australia, and changed its name to Dyno Westfarmers.

The acquisition made Dyno one of the world's leading explosives producers, alongside ICI of the UK, doubling its annual turnover to NKr5bn. It also increased Dyno's annual production of ammonium nitrate, the basic raw material used to produce explosives, to 600,000 tonnes.

Dynal, a joint venture unit of Dyno and the Norwegian Apothekenes Laboratorium (NAL), established Nihon Dynal KK, a new subsidiary, in Japan. It will develop Dynal's pharmaceutical products.

Karen Fossli

Oil production continues to rise rapidly, writes **Karen Fossli**

Goal of stability set

NORWAY'S rapid oil production rise – an historic 1.53m barrels a day in March, according to producers, compared with about 1.25m barrels a day in 1988 – has become an embarrassment.

In February 1987 Norway implemented a 7.5 per cent crude-oil production restraint policy, designed to assist Opec's efforts to stabilise world crude oil prices after their collapse in 1986.

Norway's policy is not for nothing, however; for petroleum sector earnings, which doubled from 1980 to 1981, allowing foreign debt to be repaid, had plunged into the red, forcing the country's trade balance to deteriorate from NKr25bn in 1985 to minus NKr41bn in 1986. The economy had become hooked, and remedial measures were demanded to curb dependency on petroleum earnings.

More important, an integral part of foreign policy, with a goal of stability and predictability in the oil market, has been set. In January, in a speech to the World Economic Forum in Davos, Mrs Gro Harlem Brundtland, the Prime Minister, called for a meeting of government leaders, to assess world resources, market perspectives, and the interplay of these issues with environment and climate.

In the Government's view, an open dialogue between oil-producing and oil-consuming nations could do much to help prop up and maintain oil prices at a stable level.

Norway's crude oil production restraint measures are "unilateral, flexible in form and limited in time", and are good for only as long as Opec does its part to support oil prices by adhering to its own production quotas.

However, Opec is concerned about Norway's future production prognosis, in that production continues to rise rapidly while the 7.5 per cent restraint measure remains the same. Oil production capacity by next year could reach an all-time daily high of 2m barrels.

According to official figures from the Oil and Energy Ministry, approved production so far this year averaged 1.44m barrels a day, though capacity is put at 1.55m barrels.

While figures for the second half of 1989 have not yet been approved by ministry officials, capacity will hit more than 1.6m barrels a day as two new fields begin production.

In October, Statoil's Veslefrikk field is to come on stream at an initial rate of 30,000 barrels a day, while in December Statoil's Gullfaks C platform is slated to come into production at an initial rate of between 10,000 and 20,000 barrels a day.

By next year, "official" figures put crude oil production capacity at more than 1.7m barrels a day, climbing to exceed 1.75m barrels a day in 1991. Two new fields, Amoco's Hod and British Petroleum's Gyda, will come on stream during 1990.

Although plateau oil production is forecast to be short-lived, it does represent a medium-term dilemma for *Norway's energy policy-makers.*

The country's resource growth in recent years, however, has been moderate with regard to oil, but strong with regard to gas. Gas production has been low, but Norway is set to become mainly a gas-producing nation. Thus oil production will rise only in the short to medium term, unless major oil discoveries are made. However, this is likely to be of little consolation and may provide little incentive for Opec's struggle to curb domestic production as it tries to influence worldwide output.

Norway's biggest task is to secure new market outlets for natural gas resources, while expanding existing markets. Sights have been turned to capturing market-share in the US and regaining market-share in the UK, with increasing deliveries to continental Europe.

Last year Norway signed an agreement with Spain to supply between 1.5bn cubic metres (bcm) and 2.1bcm of gas annually between 1996 and 2025, though transport details are still being worked out.

And an agreement with Dutch utility SEP was reached, for Norway to supply 2bcm of natural gas annually between 1995 and 2015 to the Netherlands.

Talks between Norway and Sweden continue; and Mr Arne Oeien, Norway's Oil and Energy Minister, and Mrs Birgitta Dahl, his Swedish counterpart, announced in March their intention to sign an agreement in principle by July. This would call for Norway to supply Sweden initially with 1bcm of natural gas annually in 1992 and 1993, increasing to 2.5bcm annually by the turn of the century.

Sweden is seeking alternative energy supplies to help it phase out nuclear energy by 2010. Two of 12 Swedish nuclear plants are to be closed by 1995. It is estimated that the total Swedish market for natural gas will be some 5bcm annually. The Soviet Union and Denmark are competing with Norway to supply Sweden.

As part of an adjustment plan for dwindling petroleum earnings, Norway hopes to establish an "oil buffer fund" in which to channel a portion of revenue, as a safeguard against unpredictable oil-price fluctuations.

The concept is not new. It was first floated in 1986 by Mr Hermod Skaanland, the current governor of the central bank, who suggested that a percentage of oil earnings be put into savings. However, the idea foundered on regional politicians' schemes to lay claim to fund proceeds long before the fund was formally proposed.

In the current minority Labour government's long-term programme for 1990-1993, a commitment has been made to the establishment of an oil fund consisting of revenue from oil taxation, government earnings from direct stakes in producing fields, dividend payments from Statoil, and from interest earned on fund deposits placed in the central bank.

For example, in 1989 the state is forecast to earn just NKr5.5bn in revenue from producing fields in which it has direct stakes and from petroleum taxation. If the fund currently existed, it would act as a buffer during this low-earnings period.

Last year Norway sold 51.8m tonnes of crude oil, compared with 39.7m tonnes in 1986, 33.8m in 1984 and 22.9m in 1982. Sales of natural gas hit 27.7bcm in 1988, 25.6bcm in 1986, 26.2bcm in 1984 and 24.4bcm in 1982.

A sense of sobriety was instilled into the Government last August, when the Norwegian Petroleum Directorate (NPD), watchdog over the oil sector and adviser to the Ministry of Oil and Energy, issued by far its most pessimistic prognosis for Norway's future oil producing prospects. In its Perspective Analysis, published annually and used for planning, a reduction in expectations was called for.

The report warned of declining prospects for new oil discoveries, uncertainty over hydrocarbon prices (Norway is one of the most expensive areas in the world from which to produce oil), limited potential for gas sales, and limited scope to maintain investment activity in the sector after the first half of the 1990s.

Statoil, the state company, is making a recovery

Rebuilding confidence

Harald Norvik: daunting task

FOR MORE than a year, Mr Harald Norvik, the shy, unassuming president of Statoil, Norway's state oil company, has fought to restore confidence and profitability to an organisation previously under the autocratic leadership of Mr Arve Johnsen, Statoil's first president of 15 years.

The powerful Mr Johnsen was forced to step down in the autumn of 1987, over a billion-dollar scandal surrounding the Mongstad oil-refinery and terminal-expansion project. Grossly under-estimated technical demands led to one of Norway's largest industrial embarrassments.

For years Mr Johnsen and Mr Willy Olsen, head of information and right-hand man, had systematically built up influence over Norway's most powerful politicians, only to be spurned when the depth of the troubles at Mongstad emerged.

Revelations of the cover-up of the Mongstad budget overrun toppled the team, although Mr Olsen stayed on, as the events coincided with the worst plunge in world crude oil prices since the early 1970s.

Equally disturbing was Norway's failure to replace reduced oil reserves with new discoveries, in what could mark a new trend since production commenced from the prolific Ekofisk oil and gas field in 1971.

The axe fell when Statoil was in the middle of several major investment commitments to oil projects under development. The cocktail of events sent the state oil company's equity-to-debt ratio reeling to a level of between 10 and 12 per cent – the lowest in its history. This, in turn, provoked fear, panic and suspicion among Norway's politicians.

Morale among employees fell. Mistrust grew among Statoil's creditors, meanwhile, who had previously been burnt by the Government's refusal to provide unequivocal financial backing to state-owned companies in difficulties.

Panic in the Storting (Norway's Parliament) provoked a *wide-range of political propos*als – from privatisation to partial dismantling and sell-off.

Mr Norvik's task was daunting. But he did not hesitate, as his first response, to reorganise the ailing Statoil into three main divisions: "This reorganisation was the first step in making [Statoil] more competitive and market-responsive," he explained.

His second response was to press ahead with diversification into petrochemicals, at a *time when margins were stag*ing a strong revival. By linking up with US-based Himont, the subsidiary of Italy's Ferruzzi-Montedison, Statoil will form part of a NKr3bn joint-venture Belgium-based propylene polypropylene project, which intends initially to produce 150,000 tonnes a year.

Tentative plans call for capacity to be doubled at a later stage. Approval was not without much consternation from Statoil's owners who, only recently, gave their agreement.

"Petrochemicals will become more and more important to Statoil and will play a large role in our international expansion strategy," said Mr Norvik recently. "I think that it is a scoop for Statoil to be part of the Belgium project, and I see even greater possibilities in future and new investments in the years to come, as we study the scope for expansion into new product lines."

Political panic over Statoil's troubles has subsided

In 1988 petrochemicals saw an operating profit of NKr1.30bn, which translated into net profits of NKr1.23bn. *This year Statoil will introduce* some new technologies and expand petrochemical production capacity in existing plants in Norway and Sweden.

Although Mr Norvik may not expect the present buoyant market to be sustained at current levels in the long term, he believes that petrochemicals activities will continue to be sound and profitable, due to Statoil's unique access to raw materials and feedstocks from future surplus refinery *streams.*

His next step in restoring the company's health was to launch a NKr2bn cost-cutting programme, which he believes could translate into reductions of NKr11.5bn by influencing decisions taken before his arrival, and through major redundancies.

Initially, a 650-strong consultative workforce was cut by 200, though next month major staff cuts and re-prioritising of international activities and areas of concentration are expected to be announced. An *ad hoc* working group was formed, to identify and imple*ment a belt-tightening mea*sures.

At the end of 1988, Statoil employed a staff of 11,167 and was Norway's second largest company (behind Norsk Hydro, the largest publicly quoted company). It is vital for Statoil's future development that it come to grips with its limited history of operations in an era of high oil prices and rapid organisational growth.

Mr Norvik says he is will introduce a more systematic approach to career-planning, job-rotation and training as part of a multi-pronged programme he has designed to strengthen competivity. He says his targets are ambitious, but necessary if he is to succeed.

In recent months, political panic over Statoil's troubles has subsided, allowing a new sense of reality to emerge. In March the opposition Conservative party failed to get a majority backing for its proposal gradually to semi-privatise the company.

However, Mr Norvik's priority wish for greater commercial freedom was granted by the Storting, which abolished an earlier requirement that all large commercial projects receive its stamp of approval. His second wish, to have converted to fresh equity between NKr2bn and NKr3bn in state loans, has been formally proposed for Storting approval.

In addition, his company's owners have agreed to relax dividend levels, which will now hinge on annual results. Mr Norvik hopes to make a dividend payment for 1989 after a two-year absence.

In upstream activities, close liaisons, alliances and partnerships are planned with oil companies outside Norway. For instance, Mr Norvik is keen to firm up a relationship with British Petroleum, with which Statoil formed a coalition for the UK 11th Licensing Round. Though realignment of international projects is now under way, the UK is Statoil's first priority.

Domestically, Mr Norvik believes Statoil will maintain its oil reserve-to-production ratio until the end of the century, through a significant exploration potential in deep Jurassic (geological horizon) formations in the southern part of the Norwegian North Sea.

In other areas, off mid-Norway, he sees potential in deep waters west of the so-called Haltenbanken province. Despite the frustrations of failing to find new oil in the Barents Sea, he believes the potential of the area should not be downgraded.

Long-term exploration includes footholds outside Norway, to secure access to lower-cost hydrocarbons – although Statoil observers expect a retrenchment from China to allow foreign resource commitments to be concentrated on the US and UK markets. In the US, Statoil is seeking to capture a large chunk of the natural-gas market.

On the oil side, long-term US contracts are a priority. On the development side, the company's three-fold strategy includes: improvements to the economics of existing development projects; deferment of some projects; and acquisitions in existing oil fields, particularly in Britain.

"It is important for us to become more cost-efficient, so that we can channel our resources into areas of priority," Mr Norvik believes. "Although I am satisfied with the development within Statoil to improve our competivity and organisation, I still believe we have more steps to take to improve this level... One should never be satisfied with a result which has been achieved, but rather with the direction in which one is moving."

In 1988, exploration and production showed an operating profit of NKr4.73bn, after financing costs of NKr3.26bn. Crude oil access increased to 198m barrels, from 173m barrels the previous year.

Mr Norvik's vision for Statoil in 1992 has the state oil company still operating the Statfjord field, after reaching a comprise unitisation agreement with UK owners; a buoyant Scandinavian gas market, in which Norway is the main supplier of natural gas; and production in Haltenbanken and the Barents Sea.

By this time, the company's long-term outlook will have been strengthened through a significant exploration and production portfolio outside Norway. And a strong position in the downstream sector and petrochemical industries will have been achieved, along with strength as an oil trader.

Karen Fossli